City of Williamsburg, Virginia

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

CITY OF WILLIAMSBURG, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2016

PREPARED BY:

Department of Finance

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CITY OF WILLIAMSBURG, VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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INTRODUCTORY SECTION

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CITY OF WILLIAMSBURG

Department of Finance

November 4, 2016

To the Honorable Mayor, Members of City Council, and Citizens of the City of Williamsburg:

The Comprehensive Annual Financial Report (CAFR) of the City of Williamsburg, Virginia for the fiscal year ended June 30, 2016, is submitted herewith in accordance with Section 15.2-2511 of the Code of Virginia. This report is designed in a manner to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds in conformity with accounting principles generally accepted in the United States of America (GAAP). We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs are included. This report has been prepared by the Department of Finance in accordance with all governmental accounting and financial reporting standards as prescribed by the Governmental Accounting Standards Board (GASB), the Financial Accounting Standards Board (FASB) where applicable, and the Commonwealth of Virginia's Auditor of Public Accounts (APA).

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects, and presents fairly the financial position and results of operations of the various funds of the City.

This report is intended to provide informative and relevant financial information for the citizens of the City, the City Council, investors, creditors and other concerned readers. All are encouraged to contact the Department of Finance with any comments or questions concerning this report.

The City's financial statements have been audited by Robinson, Farmer, Cox Associates, a firm of licensed certified public accountants. This is the second year of a renewed multi-year contract for professional auditing services with this firm. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2016, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Williamsburg financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with generally accepted accounting principals (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the City's compliance with the financial and administrative requirements applicable to each of the City's major federal programs. These reports are available in the Compliance Section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditor's report.

Profile of the City

The City of Williamsburg was established by the General Assembly of the Commonwealth of Virginia in 1699 and was incorporated by British Royal Charter in 1722. Today, it operates under the Council-Manager form of government substantially as established in the City Charter of 1932, and as an independent city under the Constitution and laws of the Commonwealth of Virginia. Policy-making and legislative authority are vested in a governing City Council consisting of the Mayor and four other members. The City Council members serve four-year staggered terms. The Mayor is chosen from among City Council members every two years. The City Council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring both the City Manager and City Attorney. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of the various departments.

Williamsburg encompasses some nine square miles located between the James and York Rivers on the Virginia Peninsula in Southeastern Virginia. The 2010 U.S. Census showed Williamsburg with a population of 14,068, up 17.2% from the 2000 U.S. Census. The City is home to two premier institutions: the College of William & Mary, established in 1693, and the Colonial Williamsburg Foundation recreating the days when Williamsburg was the Capital of Colonial Virginia, from 1699 to 1780.

The financial reporting entity includes all the funds of the City of Williamsburg. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. In September, 2012 by ordinance the Williamsburg City Council effectively terminated the Williamsburg Redevelopment & Housing Authority (WRHA) Board of Commissioners, and appointed City Council members in their place. In February 2013 a Memorandum of Understanding between the City and the WRHA was signed, integrating services of existing City departments with WRHA. This change was made for operational assistance and administrative convenience, and also as a cost control measure. The WRHA operation is presented as a component unit of the City in the financial statements as of June 30, 2016.

The City provides the full range of municipal services including public safety, (police, fire and emergency medical services, parking garage), public works, (street construction and maintenance, landscaping, stormwater management, engineering, refuse collection, public cemetery), economic development, planning and zoning, code compliance, human and public housing services, parks and recreation, and general administrative services. In addition, the City provides water and sewer services to approximately 3,450 residential and 900 commercial customers, with user charges set by City Council to ensure adequate coverage of operating and capital expenses.

The City provides education jointly by contract with neighboring James City County for both localities through the Williamsburg-James City County Public Schools (W-JCC Schools). This strong partnership between the City and County governments has served the K-12 education needs of the jurisdictions for over 50 years. FY 2016 marked the fourth year of a restated contract for operating and capital funding of the joint School system, for fiscal years 2013 thru 2017. The contract essentially covers board membership, operational and capital funding allocations, use of School surplus operating and capital funds, and equity interest in School property.

The City also provides library services jointly by contract with James City County through the Williamsburg Regional Library. The joint contract provides for board membership, operational funding, and responsibilities for repair and maintenance of facilities and grounds of the respective library building located in each locality. In June 2013 City Council approved an amendment to the joint contract to include neighboring York County. The agreement represents another step forward for regionalism in the Historic Triangle to benefit the citizens of all three jurisdictions.

The annual budget serves as the foundation for the City's financial planning and control. The budget process incorporates City Council strategic plan "Biennial Goals, Initiatives and Outcomes," and defines, communicates, and funds the City's programs and priorities. The completed budget is City Council's road map, and a primary

management tool for the City Manager and Department Heads. The annual Budget Guide is a formal call for all departments of the City, and agencies associated with it, to prepare and submit an estimate of the resources required for the next fiscal year. It includes a set of procedures for building a comprehensive budget for the City Manager to submit to City Council each year. City Council is required to hold public hearings on the proposed budget and tax rates, and to adopt a final budget resolution no later than June 30th. The appropriated budget is prepared by fund, function (e.g., public works), and department (e.g., streets). Department heads may make transfers of appropriations within a department, with the approval of the City Manager. Budget amendments requiring changes in total fund appropriations require subsequent approval of City Council, and a public hearing if it exceeds one percent of the total expenditures adopted in the current year. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented as part of the required supplementary information other than management's discussion and analysis under the combining and individual funds tab of the report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Economic Condition and Outlook:

The economy of the City of Williamsburg is propelled by tourism and education. Tourism – including major attractions and the hospitality industry – continues to provide the most significant source of tax base for the city government. Within the city limits are 35 hotels/motels with approximately 3,460 rooms, 22 operating bed and breakfasts (with 80 rooms), and 89 restaurants.

The lynch pin of tourism is the Colonial Williamsburg Foundation, which operates the nation's most extensive living history museum. Encompassing 578 restored or reconstructed buildings and employing approximately 2,700, the Foundation interprets the 18th century history of America in Virginia's colonial capital. Other nearby attractions not located in the city include Jamestown (site of the first permanent English settlement in 1607), Yorktown (site of Washington's victory over Cornwallis in the Revolutionary War), and Busch Gardens and Water Country USA theme parks. These attractions draw a conservatively estimated 4 million ticketed visitors annually. Next to tourism, higher education drives the Williamsburg economy. The College of William and Mary, located within the City, is the nation's second oldest university. The College owns 18.3% of the land area of the City, currently enrolls about 8,450 students, and employs about 2,800 faculty and staff, including graduate assistants as well.

The City has seen a mix of economic activity over the last three fiscal years. For FY 2016, room tax receipts increased $99K, or 3.1% from last year. Meal taxes were up by $203K, or 3.0% over last year, and have been on the rise since FY 2009. Revenues from $2/night lodging tax, which are a pass-thru to the Williamsburg Area Destination Marketing Committee, were up slightly by $8K, or .7% from last year. In total, these three significant taxes were up $310K, or 2.8% from FY 2015. Another significant tax, dedicated to capital improvements within the City, is the 1% State sales tax. These taxes were $4.3 million for FY 2016, down slightly by 1.2% from last year's receipts. Still, the economy will need to rebound much stronger in order to reach the $4.9 million and $4.6 million levels of 1% sales tax receipts collected in FY 2007 and FY 2008 respectively. In addition, revenues from the Prince George Parking Garage were up by $11K, or 3.4% from last year.

Although real estate values in Williamsburg have not experienced double-digit declines that communities in northern Virginia and other parts of the country have endured during the recent recession, values declined about 14% from FY 2009 thru FY 2013. The real estate tax rate was adjusted for FY 2013 from $.54/100 to $.57/100 in response to the cumulative decline in the tax base. On a positive note, assessed values were up 2.9% for both FY 2015 and FY 2016. City staff monitors the real estate assessment to sales ratio each month by closely tracking sales activity. The ratio is important in analyzing sales trends in neighborhoods, and is vital to the City Assessor's job of assessing properties at market value each year. As of October 2016 the City's assessment to sales ratio of residential sales since July 1st, 2016 continued to be under 95%, indicating, *on average*, continuing recovery of real estate values in the City. Real estate assessments for FY 2017, *on average*, are up 2.4%, indicating continued improvement in both residential and commercial values.

Economic Development Activity – Recent economic development activity in the City includes the following:

- Four commercial development projects are progressing: "Quarterpath at Williamsburg," a 350 acre mixed-use development in the southeast quadrant of the City will offer retail, Class-A office space, and a 40-bed acute care doctor's hospital operated by Riverside Health System, which opened in May 2013. The other two projects include the "Griffin Arms" and "Prince George Commons" mixed-use buildings, adjacent to one another on Prince George Street. Both provide 2nd floor housing with 1st floor commercial spaces and both have made use of the EDA's Forgivable Demolition Loan program. Griffin Arms is complete and has 9,000 s.f. of space, 4,000 s.f., of which is fully occupied by two commercial users (two restaurants that opened in 2015). Construction of Prince George Commons, a vertical mixed use development with 16,400 s.f. of space, 8,680 s.f. of which is for commercial use, has been completed. The apartments are fully leased and approximately 2,000 s.f. of retail has been leased to Three Sister Boutique. Copper Fox Distillery is now open to the public, with a tasting room, an active still and several additional phases underway. A new Aldi grocery store (17,825 s.f.) was built in 2016 and two commercial outparcels of that project are available. Discount Tires is under contract to purchase one of the two outparcels and received a Special Use Permit from the City in July 2016.

- New businesses openings after renovating existing commercial space between July 1, 2015 and June 30, 2016 include Lokal Restaurant, Autobell Car Wash, Salon Gia at Quarterpath Commons, Williamsburg Art Gallery in Merchant's Square, Kilwins, Reimagination, MC Upscale, The Cozy Patio Bistro, Room Escape Williamsburg, Scotland Street Salon, and Flapjacks & Waffles.

- New businesses openings in newly constructed space include Oiishi Japanese Restaurant and The Hounds Tale Restaurant at Griffin Arms, Three Sisters Boutique at Prince George Commons, and Aldi grocery store.

- The Economic Development Authority approved a new demolition grant program in June 2016. Replacing the previous demolition loan program, the grant covers up to 90% of the cost to demolish an underutilized commercial structure as part of a redevelopment project. City Council appropriated $250,000 to the program.

- The Economic Development Authority approved a Google Street View for Business grant program in April 2016 to increase customer visitation to businesses. The grant covers 50% of the cost of photography services associated with a business implementing a Google 360 Interior Virtual Tour, with a maximum grant amount of $500. As of September 2016, over $4,000 has been approved to City businesses to take advantage of this program.

- In October 2016 City Council adopted a new Tourism Zone for the Northeast Triangle section of the City. Qualifying businesses are eligible to receive tax benefits that will reimburse a portion of the BPOL tax, sales tax, meal tax, and room tax. In conjunction with the tourism zone, a new grant program was established within the Northeast Triangle section of the City to encourage existing businesses and landowners to renovate their buildings and update their business products. In addition, a new zoning designation "Culinary Arts and Hospitality District" was also adopted along Capital Landing Road that will complement the uses that will be incentivized in the Tourism Zone.

Budget Policies

The City's adopted Financial Planning Policies include requirements for balanced budgets and long-range planning. The FY 2016 General Fund balanced operating budget was initially approved in May, 2015. As discussed in the Management's Discussion and Analysis section of this report, the operating surplus for the year ended June 30, 2016 was $2.16 million. Long-range planning is part of the budget process each year, and included (1) Planning Commission review of current and future capital projects; (2) consideration of revenue, expenditure, and service implications of continuing existing programs, or adding new programs; (3) condition assessment of major buildings, roads, sidewalks, bridges, water lines, vehicles, and equipment; (4) maintaining, as a minimum, the City's 35% of total operating revenues as its unassigned fund balance, which can only be used for emergencies, non-recurring expenditures, or major capital purchases that cannot be acquired on a pay-as-you-go basis.

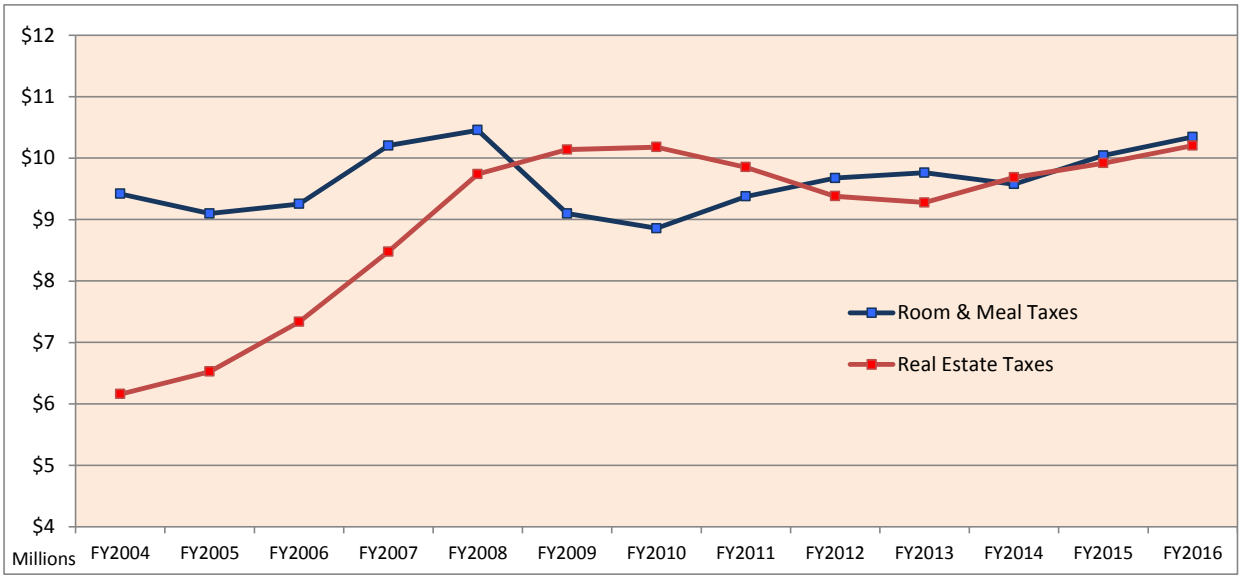
Revenue policies taken into consideration during the budget process included annual review of tax rates, collection rates, and identification of all revenue and grant options available to the City. In addition, user fees and charges were reviewed in order to ensure keeping pace with service delivery. Building permit and inspection fees, as well as all recreation program charges, were also reviewed during the budget process.

Expenditure policies which also contributed to the positive operating outcome of FY 2016 include financing all current operating expenditures with current revenues. Budgetary control was enhanced during the year by expanding the City's performance management system with Socrata, linked not only to the live accounting system, but to City Council's Goals, Initiatives, and Outcomes (GIOs) for the 2015-2016 Biennium. Useful and timely line-item budget information is available on demand at department heads' and other key employees' desktops.

Long-Term Financial Planning

Major Operating Revenues - The City of Williamsburg takes pride in providing a high level of public services to its residents at a reasonable cost. The real estate tax rate of 57¢ per $100 of assessed value continues to be one of the lowest city tax rates in Virginia. Prior to FY 2009, room and meal taxes provided the largest source of funding for City services since the mid-1980s. Rising property assessments brought revenues that surpassed room and meal taxes during FY 2009 for the first time, when most local governments began to feel the effects of the recent recession.
Real estate taxes made up for 28.8% of total revenues in FY 2016, compared to 19.9% in FY 2000. This shifting of tax base is more pronounced when comparing actual tax revenues. During that 16-year period room and meal taxes increased from $9.2 million to $10.3 million, a 12% increase. Real estate taxes increased from $4.5 million in FY 2000 to $10.2 million in FY 2016, an increase of 127%. The FY 2016 real estate tax base increased 2.6% from the prior year, with next year's FY 2017 values increasing another 2.3%. The City's total personal property tax collections, including State reimbursement for the Car Tax program, increased 3.0% from last year.

Though declining for two years from the highs of FY 2008, room and meal taxes tracked upward from FY 2010 to FY 2013, and declined about 1.9% during FY 2014. On a positive note room and meal taxes received during FY 2014 were about 8% higher than the all-time lows of FY 2010, and briefly surpassed real estate taxes in FY 2012 & FY 2013. This trend is attributable to increased meal rather than room taxes, and from reduced real estate values from FY 2010 thru FY 2013. The gap between room and meal tax receipts and real estate taxes for FY 2014 was just over $100K. Room and meal taxes again have surpassed real estate taxes since FY 2014. Room and meal taxes accounted for 29.2% of the General Fund operating revenues for FY 2016, compared to 39.7% in FY 2000[1].



[1] Not including the $2/night lodging tax, which is dedicated for tourism promotion.

Revenue trends for other local taxes were strong compared to last year. The 1% State sales tax receipts were $4.3 million, down $54K, or 1.2% from last year. Business license taxes were up by $104K. Bank stock taxes were up 10%, recordation taxes were down 21%, and tobacco taxes were down 14% over last year. Utility taxes were level with last year. Total other local taxes collected for FY 2016, including room & meal taxes, were up about $287K, or 1.5% over FY 2015.

Total revenue from the Commonwealth increased overall by 17.2% for FY 2016, largely from increased grant funding for street paving and a demolition grant. Reimbursement for street maintenance costs increased by $95K, or 5.9%, over last year because of increased state funding per lane mileage and additional lane miles reimbursed for Battery Boulevard. State sales tax for education receipts decreased slightly by $6K, or .6%, from last year.

Business growth and economic development initiatives mentioned above, along with investment by new and existing businesses in the City, will help to strengthen the City's real estate, personal property, and retail sales tax bases in the next few years.

A more detailed analysis of revenue trends is included in Management's Discussion and Analysis.

Major Operating Expenditures - The economy continues to challenge the City's ability to provide the type and quality of services our residents are accustomed to, and at relatively low tax rates. Total approved full-time positions increased from 191 in FY 2015 to 192.5 in FY 2016, with the addition of one part-time position in the Registrar's office becoming full-time, and one additional position for a police officer.

Personnel Costs – Employee benefit costs have increased substantially over the past several years. Healthcare benefits are analyzed each year relative to increases in premiums, and adjustments are recommended, if necessary, during the budget process. Beginning July 1, 2012, the City ended its self-insured healthcare plan, which was administered by Anthem, and now is offering employee & family coverage through the State's Local Choice healthcare plan. This move was in response (1) to limit exposure by joining a traditional insurance plan, with partial risk absorbed by the overall plan, which is made up of thousands of employees statewide; and (2) to reduce overall healthcare premiums by offering employees two different deductible plans.

The City is a member locality of the Virginia Retirement System (VRS). Pension costs are compensation-based, with funding rates set by VRS actuaries bi-annually. Significant increases in defined-benefit pension costs around the country have forced a variety of pension reform initiatives, as liabilities continue to outpace assets backing these long-term benefits. Pension reform by the Virginia General Assembly in 2011 has impacted localities and school districts by mandating employee contributions and changes in various components of benefit formulas. Note 13 of the financial statements includes extensive information on all VRS pension options, including the new Hybrid pension plan which was effective in January, 2014. In addition, the Governmental Accounting Standards Board has adopted Statement No. 68, *Accounting and Financial Reporting for Pensions*, which applies to governments that provide pension benefits to their employees. The comprehensive requirements of GASB Statement No. 68 are included in Note 13 of the financial statements.

Debt Service - In December, 2013 City Council approved a $5 million bank-qualified loan with Carter Bank for financing the construction and equipping of a new governmental and community multipurpose facility to be known as the Stryker Center, located at 412 North Boundary Street. The loan is fixed at 2.60% for the 15-year term.

In April 2014 Standard & Poor's rating agency raised its long-term rating of the City's general obligation (GO) bonds from "AA+" to "AAA", its highest level. According to S & P, the rating reflects their view of the City's "*very strong economy, very strong budgetary flexibility, strong budgetary performance, very strong liquidity, very strong management, and very strong debt and contingent liability profile*".

City staff continues to analyze market conditions, and formulate financing strategies with financial advisors, Davenport and Co., LLC, in order to stay on schedule with major projects. Since 2004 the City's financial policies include maintaining a minimum of 35% of total General Fund operating revenues as its operating fund balance. A detailed analysis of the City's fund balance is presented in the Management's Discussion and Analysis section of this report.

Independent Audit
The State Code of the Commonwealth of Virginia requires an annual audit of the books of account, financial records, and transactions of the City. This requirement has been complied with and the unqualified opinion of Robinson, Farmer, Cox Associates, independent certified public accountants, has been included in this report.

Awards
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Williamsburg, Virginia, for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015. This was the 30th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, with contents conforming to program standards. This report satisfied both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the past 24 years. In order to qualify for the Distinguished Budget Presentation Award, the City's Budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. Both of these prestigious awards serve to continually improve the City's annual financial reports and budget documents by implementing professional suggestions from GFOA staff and reviewers across the country.

Acknowledgements
The preparation of this report has been accomplished with the efficient and dedicated services of the City Department of Finance. We would like to express our appreciation to all members of the departments who assisted and contributed in its preparation. In addition, the accounting firm of Robinson, Farmer, Cox Associates, is to be congratulated for their substantial contributions, by way of design, counsel, and interpretation of recent guidelines, planning, and implementation of the requirements of all GASB standards, especially Statement No. 68. We also wish to express thanks to the Mayor and members of City Council for their unfailing support in planning and conducting the financial operations of the City of Williamsburg in a responsible and progressive manner.

Respectfully Submitted,

Marvin E. Collins III
City Manager

Philip F. Serra CPFO
Director of Finance

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Williamsburg

Virginia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO

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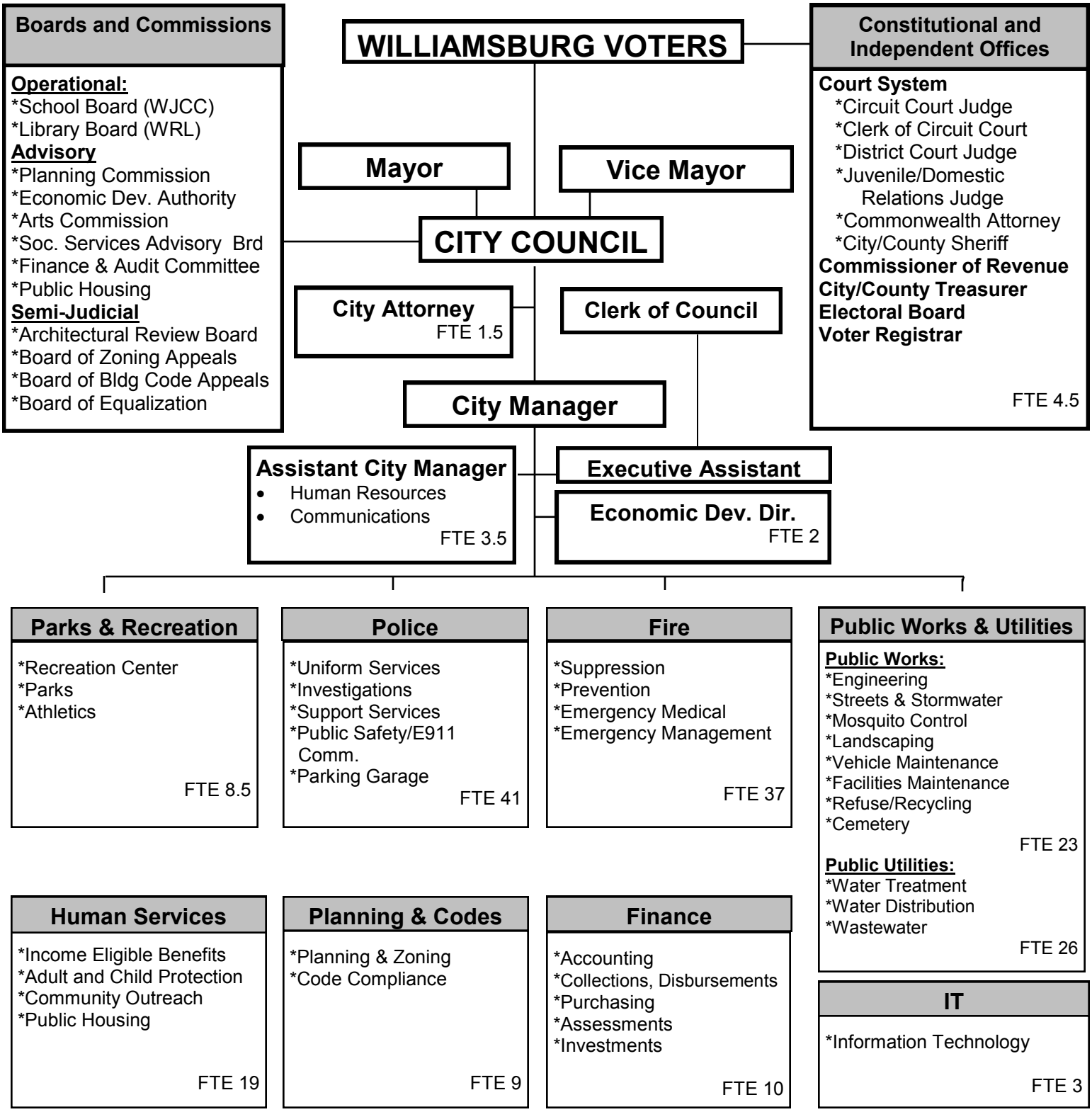
City of Williamsburg
Organizational Chart



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Members of the City Council

Clyde A. Haulman, Mayor
Paul Freiling, Vice-Mayor

Judith Knudson

D. Scott Foster

Douglas G. Pons

Gerry Walton, Deputy Clerk of Council

City Officials

City Manager ..... Marvin E. Collins, III
Director of Finance ..... Philip F. Serra, Jr.
Deputy City Manager ..... Vacant
Commonwealth's Attorney ..... Nate Green
City Attorney ..... Christina Shelton
Treasurer ..... Jennifer Otey Tomes
Commissioner of Revenue ..... Judy Nightengale Fuqua
Clerk of Circuit Court ..... Mona A. Foley
Sheriff ..... Robert Deeds
Director of Public Works & Utilities ..... Daniel G. Clayton, III
Director of Planning ..... Reed T. Nester
Director of Human Services ..... Peter P. Walentisch
Director of Information Technology ..... Mark A. Barham
Director of Recreation ..... Robbi Hutton
Director of Economic Development ..... Michele Mixner DeWitt
Chief, Fire Department ..... W. Patrick Dent
Chief, Police Department ..... David C. Sloggie

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FINANCIAL SECTION

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Independent Auditors' Report

To The Honorable Members of the City Council
City of Williamsburg
Williamsburg, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Williamsburg, Virginia, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2016, the City adopted new accounting guidance, GASB Statement Nos. 72 Fair Value Measurement and Application, 79 Certain External Investment Pools and Pool Participants, 82 Pension Issues – and amendment of GASB Statements No. 67, No. 68, and No. 73, and 77 Tax Abatement Disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedules related to pension funding progress on pages 4-17, 75, and 76-78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Williamsburg, Virginia's basic financial statements. The introductory section, other supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Other Information (continued)

The other supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2016, on our consideration of City of Williamsburg, Virginia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Williamsburg, Virginia's internal control over financial reporting and compliance.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 28, 2016

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The Management's Discussion and Analysis (MD&A) offers readers of the City's financial statements a narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2016. Readers are encouraged to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, and in the financial statements and notes to the financial statements (which immediately follow this discussion).

FINANCIAL HIGHLIGHTS

Government-wide:

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows (net position) at the close of Fiscal Year 2016 by $109.5 million. The unrestricted portion of net position is $22.5 million for the Governmental Activities and $4.2 million for the Business-type Activities, for a total of $26.7 million. In the current year, the unrestricted net position decreased $1.9 million in the Governmental Activities, and increased $1.1 million in the Business-type Activities.

- The City's total net position increased by $5.5 million over the prior fiscal year, of which the governmental activities increased by $4.3 million, and business-type activities increased by $1.2 million. In the governmental activities, total revenues increased $898K, or 2.7%, while expenses decreased $1.1 million from the prior fiscal year. In the business-type activities, total revenues exceeded expenses by $1.2 million.

Fund Level:

- Total General Fund (including 1% Sales Tax) revenues were $41.6 million for FY 2016, up by $2.2 million from last year. General property tax receipts were $12.6 million, up 3% from last year. Other local taxes were up 1.7%, mostly from increased business licenses, bank stock taxes, room, meal, and $2 lodging taxes. Room taxes increased by $99K (3.1%) with meal taxes up by $203K (3%) over last year.

- Total General Fund expenditures, including capital projects, were up 10.1% at $43.5 million for FY 2016. Capital projects and debt service payments accounted for $11.2 million in spending for the year, up from last year's level of $7.4 million.

- The City's General Fund debt decreased overall by $1 million during FY 2016, with scheduled ongoing debt principal being paid down.

- The City's governmental funds reported combined ending fund balances of $33.6 million, a decrease of $2.7 million from the prior year. Fund balances are further categorized as *Nonspendable* ($1.9 million for real property owned by the City and held for resale), *Restricted* ($524K for the Public Assistance Fund), *Assigned* ($18.8 million for carryover and future capital projects), and *Unassigned* ($12.4 million). The unassigned fund balance is equal to the City Council reserve policy of 35% of total General Fund <u>operating</u> revenues for FY 2016, and effectively represents the City's rainy day fund. The Assigned category includes $7.4 million of prior year carryover capital projects, and also $11.4 Million to fund future capital projects included in the City's five-year capital improvement program.

- In October 2012 the Williamsburg City Council members were appointed as the Board of Commissioners of the Williamsburg Redevelopment & Housing Authority (WRHA). With the fiscal dependence, by way of City staff involvement in the areas of payroll, accounts payable, and other managerial responsibilities, the WRHA is presented in this report as a Discretely Presented Component Unit of the City. Financial information is included herein for WRHA's latest fiscal year ending September 30, 2015.

- Business-type activities (Utility Fund) reported net position at June 30, 2016 of $22.3 million. Capital assets (net of depreciation and related debt) account for 81% of this amount, with the remaining net position of $4.2 million available without restriction. The Utility Fund reports combined cash and investments at year-end of $5.4 million, with total current liabilities of $1.6 million, including the current portion (due within one year) of compensated absences and bonds payable.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and budgetary comparison, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

There are two government-wide financial statements, which are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities include general government, judicial, public safety, public works, health and welfare, education, parks and recreation, cultural, community development, and debt service. The sole business-type activity of the City of Williamsburg is the water utility.

The government-wide financial statements (Exhibits 1 and 2) include not only the City itself (known as the *primary government*), but also a legally separate Housing Authority for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The *Statement of Net Position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. However, this is just one indicator of financial health of the City. Other indicators include the condition of the City's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the City.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received before June 30, 2016, and earned but unused vacation and sick leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed until after June 30, 2016.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Williamsburg, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Williamsburg can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Governmental Funds are used to account for most, if not all, of a government's tax-supported activities. Proprietary Funds are used to account for a government's business type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities. Fiduciary Funds are used to account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

Governmental Funds. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund. (GASB Statement No. 34 defines a major fund as a fund who's assets, liabilities,

revenues or expenditures comprise: 1) at least 10% of the total dollar amount of the same category within either all government or all enterprise funds, as appropriate; and, 2) at least 5% of the total dollar amount of all governmental and enterprise funds combined for the same category. The General Fund is always considered a major fund.) The governmental fund financial statements can be found immediately following the government-wide financial statements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements' use of accrual accounting, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

The City maintains budgetary controls over its operating funds. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level. Personnel services are budgeted by fulltime positions. Capital outlays are approved on an item-by-item basis or project basis. A budgetary comparison statement is provided for the General Fund to demonstrate compliance with the budget. Major fund budgetary variance statements are included with the basic financial statements. Non-major fund information follows the notes to the financial statements. Budgetary variances for the General Fund are discussed in some detail later in this section.

*Proprietary Funds***.** The City uses an enterprise fund to account for its water utility operations. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Proprietary fund statements follow the governmental fund statements in this report. They provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. The proprietary fund financial statements provide information for the Water Utility Fund, which is considered to be the only major proprietary fund of the City. There are no reconciling differences from the Proprietary Fund Statement of Net Position to the business-type activity column on the Government-Wide Statement of Net Position.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City of Williamsburg has one type of fiduciary funds - Agency Funds (which are clearing accounts for assets held by the City in its role as custodian until the funds are allocated to the organizations or government agencies to which they belong). The Statement of Fiduciary Net Assets can be found following the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information (RSI) concerning the (1) General Fund revenues, expenditures, and changes in fund balances-budget and actual; and (2) the City's progress in funding its obligations to provide pension benefits to its current and future retirees. This required supplementary information can be found at Exhibit 11 through 14 of this report.

The combining financial statements for nonmajor special revenue funds and fiduciary funds immediately follow the required supplementary information at exhibits 15 through 19 of this report.

This report also contains a statistical section that supplements the basic financials statements by presenting detail trend information to assist the users in assessing the economic condition of the City. We encourage readers to review the statistical section to better understand the City's operations, services, and financial condition.

The last section of this report contains a compliance section, including the City's Schedule of Expenditures of Federal Awards and related notes, and the independent auditors' required reports on compliance and internal control.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, changes in net position may serve over time as a useful indicator of a City's financial position. The City's net position totaled $109.5 million at June 30, 2016. The following table reflects the condensed Government-Wide Statement of Net Position:

City of Williamsburg, Virginia - Summary of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	$ 35,617,650	$ 38,140,860	$ 6,570,308	$ 5,537,274	$ 42,187,958	$ 43,678,134
Capital Assets	72,883,570	67,668,671	24,268,554	24,801,444	97,152,124	92,470,115
Total Assets	$ 108,501,220	$ 105,809,531	$ 30,838,862	$ 30,338,718	$ 139,340,082	$ 136,148,249
Deferred Outflow of Resources	$ 1,485,384	$ 1,459,692	$ 189,798	$ 189,864	$ 1,675,182	$ 1,649,556
Long-term Liabilities	$ 19,620,578	$ 19,994,350	$ 7,664,145	$ 8,261,253	$ 27,284,723	$ 28,255,603
Other Liabilities	1,718,175	1,515,445	873,307	775,171	2,591,482	2,290,616
Total Liabilities	$21,338,753	$21,509,795	$8,537,452	$9,036,424	$29,876,205	$30,546,219
Deferred Inflow of Resources	$ 1,435,776	$ 2,835,608	$ 204,388	$ 367,559	$ 1,640,164	$ 3,203,167
Net Position:						
Invested in Capital Assets, net of related debt	64,690,552	58,427,633	18,084,285	17,981,499	82,774,837	76,409,132
Unrestricted	22,521,523	24,496,187	4,202,535	3,143,100	26,724,058	27,639,287
Total Net Position	$ 87,212,075	$ 82,923,820	$ 22,286,820	$ 21,124,599	$ 109,498,895	$ 104,048,419

The City of Williamsburg's total assets were $139.3 million as of June 30, 2016. The largest portion, $82.8 million (59.4%), reflects its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt used to acquire assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Of the remaining City assets, approximately $34.5 million is accounted for in cash, cash equivalents, and pooled investments, $3.4 million in accounts and notes receivable, and amounts due from other governmental units, with the remainder spread among miscellaneous assets.

At June 30, 2016, outstanding liabilities were $29.9 million, with $27.3 million in general obligation bonds payable, compensated absences, and net pension liability. Of the bonds payable, $2.3 million is due within one year, with the remainder due at various dates until 2028. Additional information on the City's long term debt obligations is included in Note 8 in the notes to the financial statements. Included in other liabilities above are $1.8 million in accounts payable, $230K in accrued liabilities, and $223K in customer deposits payable. In addition, net pension liability totaling $11.8 million is included in the Statement of Net Position, as required by GASB Statement No. 68.

At June 30, 2016, the City had positive balances in all categories of net position, for the government as a whole, and for its separate governmental and business-type activities.

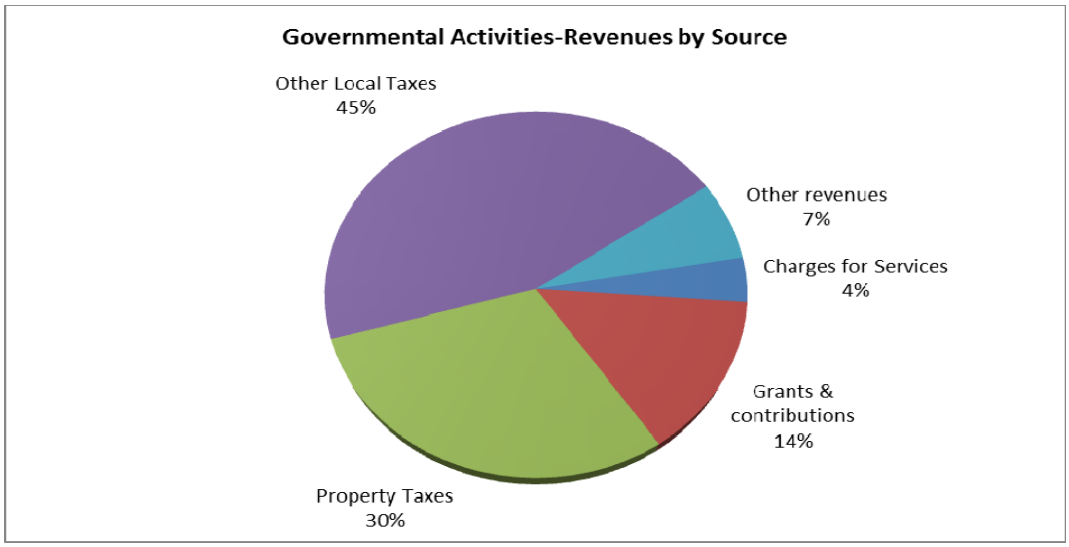
The following schedule summarizes the Statement of Activities of the primary government for the fiscal years ended June 30, 2016 and 2015:

City of Williamsburg, Virginia - Summary of Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program Revenues:						
Charges for services	$1,648,847	$1,351,653	$7,061,086	$6,942,518	$8,709,933	$8,294,171
Operating grants and contributions	4,597,704	4,447,042	-	-	4,597,704	4,447,042
Capital grants and contributions	1,357,913	486,987	-	-	1,357,913	486,987
General Revenues:						
Property taxes	12,628,123	12,264,459	-	-	12,628,123	12,264,459
Other local taxes	18,701,839	18,393,244	-	-	18,701,839	18,393,244
Other	2,872,562	2,646,561	303,757	221,376	3,176,319	2,867,937
Total Revenues	41,806,988	39,589,946	7,364,843	7,163,894	49,171,831	46,753,840
Expenses:						
General government	4,072,768	3,998,879	-	-	4,072,768	3,998,879
Judicial administration	525,421	459,778	-	-	525,421	459,778
Public safety	10,290,497	9,777,938	-	-	10,290,497	9,777,938
Public works	3,721,977	5,056,076	-	-	3,721,977	5,056,076
Health and welfare	2,452,903	2,208,356	-	-	2,452,903	2,208,356
Education	8,929,127	9,132,615	-	-	8,929,127	9,132,615
Parks, recreation, & cultural	2,285,504	2,455,296	-	-	2,285,504	2,455,296
Community Development	5,055,084	4,666,769	-	-	5,055,084	4,666,769
Interest expense	185,452	207,260	-	-	185,452	207,260
Water	-	-	6,202,622	6,837,173	6,202,622	6,837,173
Total Expenses	37,518,733	37,962,967	6,202,622	6,837,173	43,721,355	44,800,140
Increase in net position	4,288,255	1,626,979	1,162,221	326,721	5,450,476	1,953,700
Net position - beginning, as adjusted	$82,923,820	$81,296,841	$21,124,599	$20,797,878	$104,048,419	$102,094,719
Net position - ending	$87,212,075	$82,923,820	$22,286,820	$21,124,599	$109,498,895	$104,048,419

Governmental Activities – Revenues

The City's total revenues from governmental activities were $41.8 million for FY 2016, an increase of $2.2 million from last year. Percentages of FY 2016 governmental revenues by source are as follows:



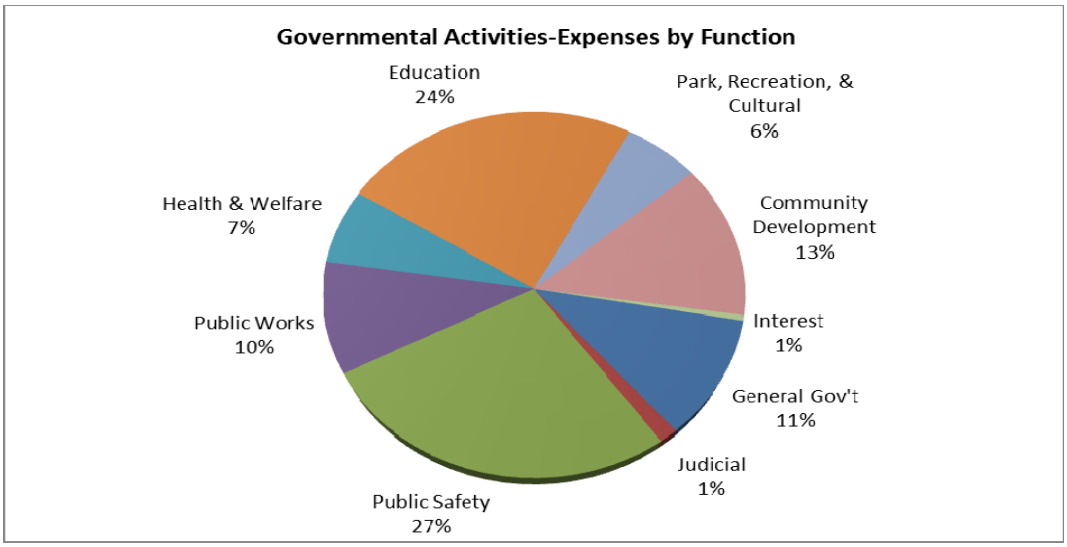
Taxes are the largest City revenue source – property and other local taxes accounted for 75% of the City's governmental activities. General property tax receipts were $12.6 million, up 3% from last year, with property values again turning positive for the third year in a row following a three year decline totaling about 14% during the recession. Other local taxes totaled $18.7 million during FY 2016, and were up 1.7% from the prior year.

Governmental Activities – Expenses

The Summary of Changes in Net Position shows total expenses for all of the City's governmental activities for FY 2016 were down slightly from last year at $37.5 million.

Highlights of expense activity for governmental funds include:

- General Government Administration expenses were up slightly by 1.8%.
- Public Safety expenses were up 5.2% due to capital spending.
- Public Works expenses decreased 26.4%, due largely to lower street, sidewalk construction, and other capital improvement projects during the year compared to last year.
- Parks, Recreation, and Cultural expenses were down 6.9% over last year.
- Education expenses in total were down 2.2%, with operating costs down by 1.8%, largely from the City's share of the school operating surplus for FY 2016 (approximately $327K) being returned.



Business-type activities - The Utility Fund is the City's only business-type activity. The utility rate structure recovers as much as possible of the operating expenses incurred to meet service demands through user charges. Change in the fund's net position is the difference between revenues and expenses, which for FY 2016 resulted in an increase of $1.2 million. More operating information for the Utility Fund operation is shown below in the Funds section of this discussion.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Williamsburg uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The following is a financial analysis of the City's governmental and proprietary funds.

Governmental Funds Revenues - Analysis

Revenues Classified by Source
Governmental Funds

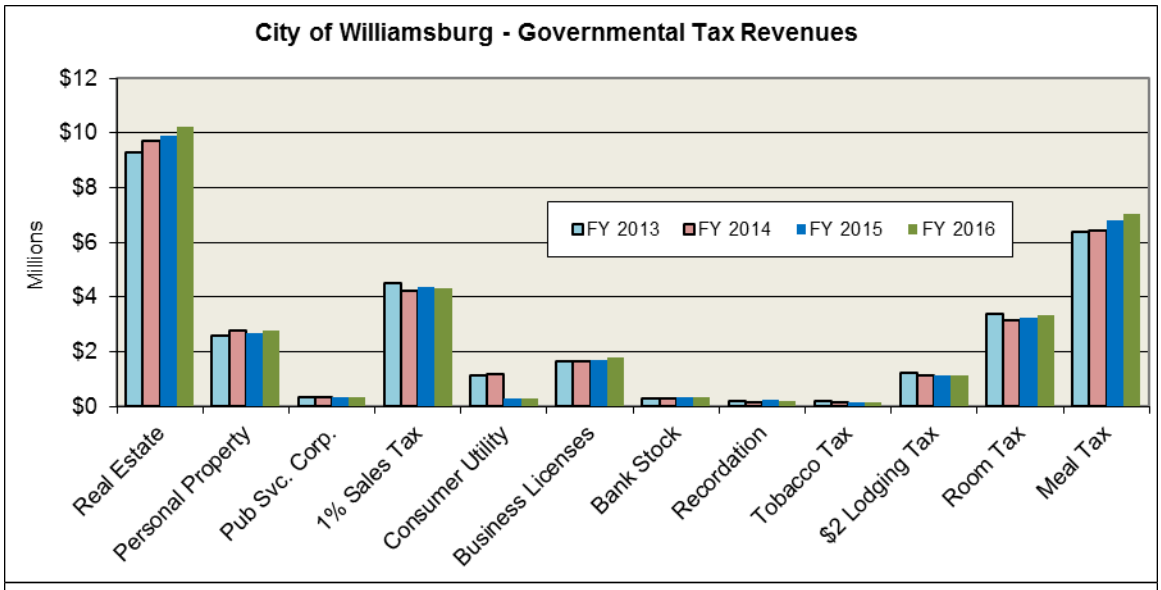
	June 30, 2016		June 30, 2015		Increase/(Decrease)	
Revenues by Source	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General Property Taxes	$12,599,297	29.48%	$12,234,756	30.21%	$364,541	2.98%
Other Local Taxes	18,701,839	43.76%	18,393,244	45.42%	308,595	1.68%
Licenses and permits	229,485	0.54%	255,915	0.63%	(26,430)	-10.33%
Fines & Forfeitures	155,032	0.36%	197,117	0.49%	(42,085)	-21.35%
Use of Money and Property	888,071	2.08%	794,407	1.96%	93,664	11.79%
Charges for Services	1,264,330	2.96%	898,621	2.22%	365,709	40.70%
Miscellaneous	417,154	0.98%	246,271	0.61%	170,883	69.39%
Recovered Costs	958,213	2.24%	934,734	2.31%	23,479	0.00%
Intergovernmental	7,522,954	17.60%	6,539,912	16.15%	983,042	15.03%
Total Revenues	$42,736,375	100.00%	$40,494,977	100.00%	$2,241,398	5.54%

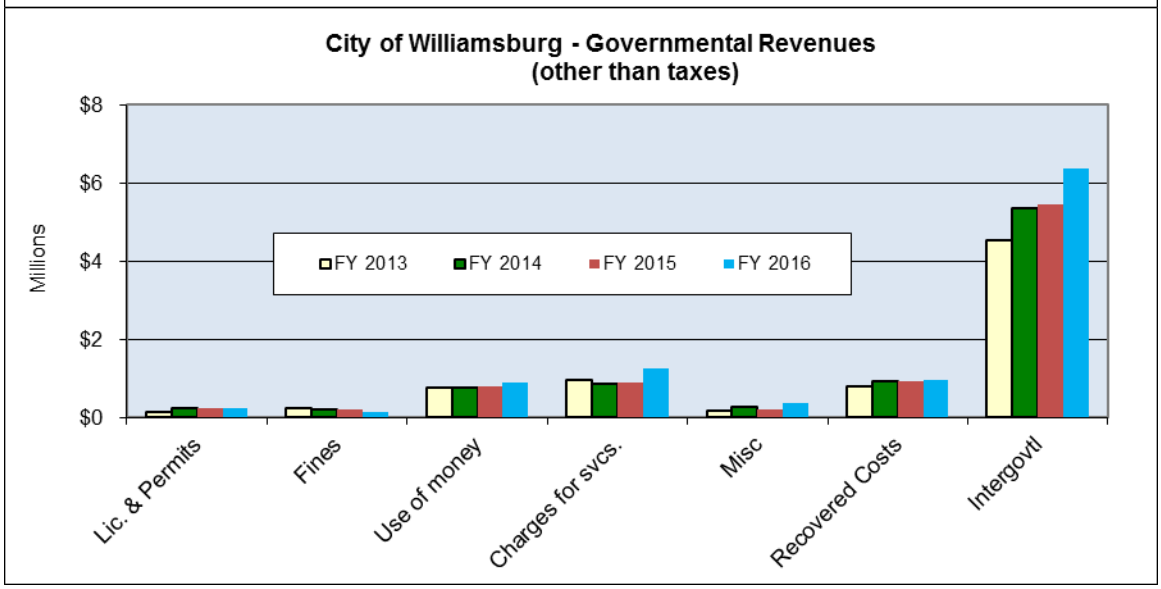
The Governmental Funds consist of the General Fund, Public Assistance Fund, and the Law Enforcement Block Grant Fund. The general governmental functions are contained in the General Fund, the City's chief operating fund. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. On June 30, 2016, total fund balance of the General Fund was $33.1 million. Of that amount, *Nonspendable* fund balance was approximately $1.9 million, consisting of prepaid expenditures and current market value of three City-owned properties for sale. *Assigned* fund balance was $18.8 million, representing a combination of appropriations carried over for capital projects of $7.4 million and future capital projects of $11.4 million. The remainder of $12.4

million is shown as *Unassigned* fund balance, representing the City's unassigned fund balance policy of 35% of operating revenues for the year.

The following provides more detailed information about major General Fund operating revenue collections during FY 2016:

- **General Property Taxes** –This consists of real and personal property tax receipts. Real property tax receipts were $10.2 million, up 2.9% from last year. Personal property tax receipts for individuals and businesses totaled $2.8 million, including reimbursement for the State's Car Tax relief block grant program, and were up by 3% from last year.
- **Other Local Taxes** - Overall these revenues increased 1.7% from last year. Local 1% share of the State sales tax receipts were down 1.2% from last year. Consumer utility taxes were level with last year. Business licenses were up 6.2%. Room taxes were $3.3 million, up $99K or 3%, while meal taxes totaling $7 million were up by 3% for the year. The $2 lodging taxes, which are passed-thru to the Williamsburg Area Destination Marketing Committee (WADMC), were up slightly by $8K from last year. Bank stock taxes were $351K, up 10% over last year. Recordation taxes were $196K for the year, down 21.7% with continued fluctuation in real estate property sales. Overall, increases in local taxes above suggest positive signs of an improving local economy.





- **Revenue from the Use of Money and Property** – Interest earnings were $141K for the year, up slightly from last year's $138K. The average yield on deposits and investments for FY 2016 was level at approximately .53%. Prince George Parking Garage receipts were $329K, up 3.4% from last year, and vehicle counts up almost 11%
- **Charges for Services –** This category consists largely of EMS medical transport fees, recreation programs and facility rentals, and cemetery lots and fees. Overall revenues in this category were $1.3 million, up by 40.7% from last year. Most of the increase is associated with EMS transport fee revenues up by $268K, an outcome of new billing vendor. Additionally, courthouse roof repairs were made during the year from the Courthouse Maintenance fund totaling $160K.
- **Miscellaneous/Recovered Costs –** These include reimbursements for Utility Fund overhead charges, public safety overtime, stormwater management fees, and James City County's reimbursed portion of annual Arts Commission grants under miscellaneous receipts.
- **Intergovernmental –** Overall, intergovernmental revenues were $7.5 million, up 15% from last year, largely due to increased VDOT state construction grant funding for various repaving projects. State highway maintenance payments were $1.72 million, up 5.9% for the year based on increased lane miles maintained by the City.

Governmental Funds Expenditures - Analysis

The following table represents Governmental expenditures by function, including capital projects, compared to prior year amounts.

Expenditures By Function
Governmental Funds

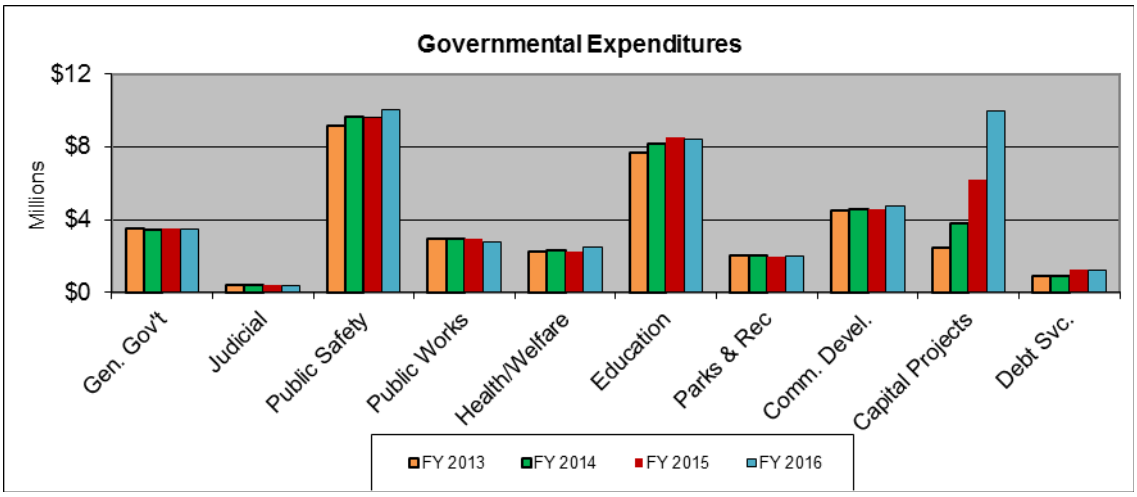
	June 30, 2016		June 30, 2015		Increase/(Decrease)	
Expenditures by Function	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Change
General Government	$3,475,742	7.64%	$3,493,522	8.47%	($17,780)	-0.51%
Judicial Administration	365,281	0.80%	400,605	0.97%	(35,324)	-8.82%
Public Safety	10,043,370	22.07%	9,643,183	23.37%	400,187	4.15%
Public Works	2,786,405	6.12%	2,936,678	7.12%	(150,273)	-5.12%
Health and Welfare	2,499,978	5.49%	2,255,020	5.47%	244,958	10.86%
Education	8,388,204	18.44%	8,540,794	20.70%	(152,590)	-1.79%
Parks, Recreation, and Cultural	1,962,964	4.31%	1,965,487	4.76%	(2,523)	-0.13%
Community Development	4,776,918	10.50%	4,599,954	11.15%	176,964	3.85%
Capital Projects	9,958,807	21.89%	6,180,712	14.98%	3,778,095	61.13%
Principal Retirement	1,006,410	2.21%	988,147	2.40%	18,263	1.85%
Interest	232,780	0.51%	252,415	0.61%	(19,635)	-7.78%
Total Expenditures	$45,496,859	100.00%	$41,256,517	100.00%	$4,240,342	10.28%

The City's FY 2016 budget included a 2% allowance for employee merit pay increases. The employer contribution rate during FY 2016 for all full-time employees covered by the Virginia Retirement System was 17.04% of salary, with covered employees contributing their 5% share above the employer rate. Healthcare premiums for the City's plan with the Anthem's Local Choice program administered by the State increased 12.7% for FY 2016.

The following analysis provides additional information on the City's expenditures by function that changed significantly over the prior year.

- **General Government Administration –** Down slightly by $18K, mostly from attrition savings offsetting added costs of merit pay increase, including costs for VRS pension and healthcare premiums.
- **Judicial Administration –** The City funds judicial offices with James City County in the jointly owned Courthouse, according to a population-based formula each year. The City's share of expenditures totaled $365K, down $35K from last year.

- **Public Safety** – This category includes several departments, and overall increased slightly by 4.2% over last year. Police department spending was up 3.7% from last year, mostly from increased salaries and healthcare premiums. There were savings in operations compared to last year, mostly from insurance premiums and fuel costs. E-911 contracted services were up slightly by 1.7% for the year, consistent with the national consumer price index, which the contract with neighboring York County is based on each year. Fire department spending was up 5%, mostly from higher personnel costs compared to the prior year. Juvenile detention services are provided by the Middle Peninsula Juvenile Detention Commission, which operates the 48-bed Merrimac Center. Days used by City kids during FY 2016 totaled 400 compared to 315 last year. Juvenile detention costs, which are based on per diems, were $78K compared to $62K last year.
- **Public Works** – Overall costs were down 5.1% from last year. Streets and engineering expenditures were level with last year, while refuse collection costs was down 27% with a new contractor. Maintenance of building and grounds costs were down $19K, and landscaping expenditures were costs were $581K, up 8% from last year.
- **Health & Welfare** – Local health department costs were $183K, up slightly from last year. Contributions to Colonial Behavioral Health were $255K, level with last year.
- **Education** – Education costs were $8.4 million, down 1.8% from last year. The W-JCC Schools returned $327K to the City as year-end surplus for FY 2016. The City's share of the jointly operated Williamsburg-James City County Schools for Fiscal Year 2016 was 9.50%. FY 2016 was the fourth of a five year renegotiated joint agreement, with operating funding based on the City's share of student population multiplied by a 14% factor, then averaged over the past three years. The City also funds approved capital projects at that same rate. The City's share of school capital costs paid during the year was $541K, and included new projects and others carried forward from prior years.
- **Parks, Recreation and Cultural** – Parks and recreation costs of $1.1 million were $17K lower than last year, and attributable mostly to reduced programs and related expenditures during FY 2016. Library expenditures of $842K were up slightly by $15K over last year, and based on a joint contract with the counties of James City and York.
- **Community Development** – Planning expenditures were up 4.4% from last year, due mostly to increased personnel costs, including healthcare premiums. Contributions to outside agencies were $2.6 million, not including pass-thru funding of the $2 lodging taxes to the Williamsburg Area Destination Marketing Committee, up about $127K from last year. Most of the increase was from an additional $100K funding to the Greater Williamsburg Area Chamber & Tourism Alliance. Arts Commission expenditures of $130K were up about $10K from last year.
- **Capital Projects** – Capital project spending varies each year depending on the 5-year program. City project spending totaled $9.9 million for FY 2016. Capital projects included Stryker Center, an expanded street resurfacing program, sidewalk construction, school improvements, and vehicles, including a new pumper truck for the Fire Department. More information is provided under the Capital Asset section below.
- **Principal and Interest payments** –Total principal payments during FY 2016 totaled slightly over $1 million, while interest payments on outstanding debt totaled $232K. Details of long term debt obligations are included in the notes to the financial statements.



Budget Variances
Included in the Final Budget column of the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - are carryover funds for Capital Projects. Since all planned projects rarely are completed by fiscal year end, this carryover is required in order to complete planned and previously approved projects.

General Fund operating revenues were over budget by approximately $859K for FY 2016, while operating expenditures were $1.3 million under budget, for an operating surplus of $2.16 Million. Although many revenue sources were slightly lower than budgeted, many sources, including all property taxes, business licenses, room and meal taxes, bank stock taxes, and electrical, plumbing, and mechanical permits ended the year higher than budgeted. On the expenditure side, major contributing departments that were underspent for FY 2016 included fire, police, clerk of council, and recreation. In addition, the W-JCC Schools returned the City's share of its operating surplus for FY 2016 in the amount of $327K.

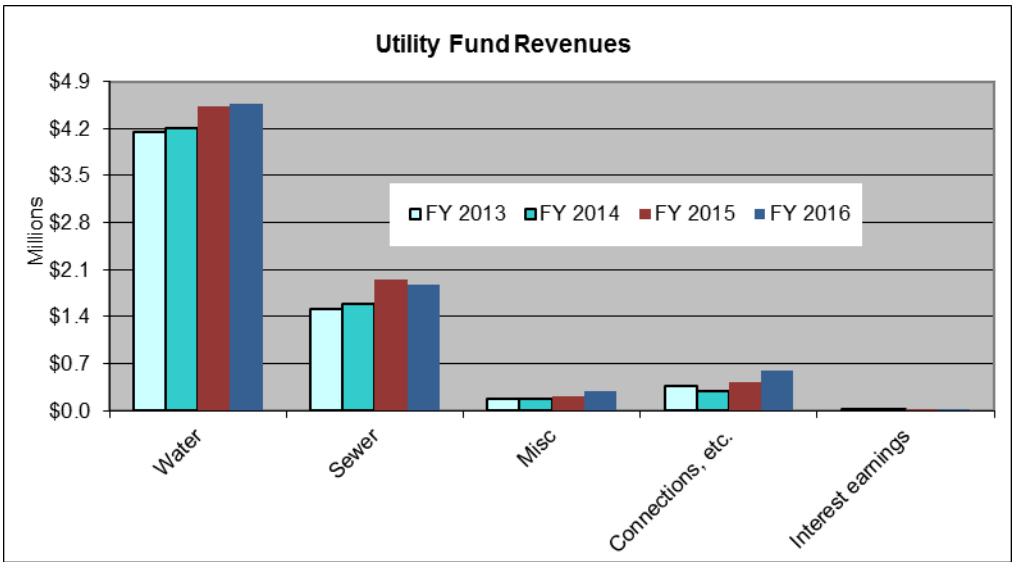
Fund Balance
Total Fund Balance for the General Fund decreased from $36.0 million to $33.1 million for the year. Of that, (1) $1.9 Million is *nonspendable*, and represents prepaid items and City-owned land held for resale; (2) $18.8 Million is *assigned* for subsequent years' carryover capital expenditures. This category includes $7.4 million of prior year carryover capital projects for street resurfacing, multi-use trail, underground wiring, vehicles, parking terrace rehab, professional studies, and school capital projects. The remaining $11.4 million of assigned fund balance will fund future capital projects included in the City's five-year capital improvement program; (3) and $12.4 million is *unassigned*.

General Fund Reserve Policy
At June 30, 2016 the *unassigned* fund balance of approximately $12.4 million is 35% of FY 2016 operating revenues, consistent with the City's fund balance reserve policy.

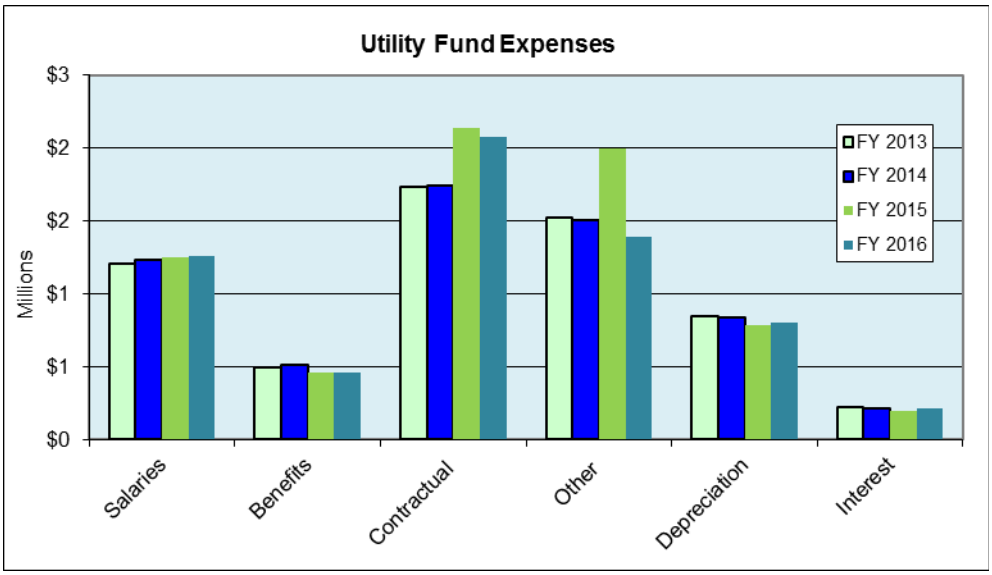
Enterprise Funds Revenue/Expense Analysis
The business-type activity (water and sewer services of the Utility Fund) operating revenues for the year were $7.3 million, up 2.8% from last year. Water rates increased 3.5% in July 2015 from $4.95 to $5.12 per 1,000 gallons. Highlights include:

- Total billed water consumption for FY 2016 was 839 million gallons, down about 3.1% from 866 million gallons last year.
- Water revenues were $4.5 million, level with last year.
- Sewer revenues were $1.9 million, also level with last year.
- Availability fees were $507K, up from last year's $362K.

- Total operating expenses were down $646K, and related to a billing change made last year for the College of William & Mary, which highly skewed expenses last year (and has since been changed).
- Investment earnings were approximately $30K, up slightly from last year.



Tap, connection, and availability fees are unpredictable and dependent on development activity, and were $594K, up from last year's $430K. The City received $170K this year from contracts with cell-phone providers using water tanks as a base for telecommunications equipment. Utility Fund operating expenses totaled $6.0 million for the year, down 9.8% from last year, largely due to the metering issue noted above and since changed. Depreciation charges include a portion of the 25-year amortization of the total $12.5 million cost of the Newport News Water agreement, classified as intangible water rights in the Utility Fund. Operating income for the year was $1.4 million, up from $501K reported last year, with higher income for the year associated with lower spending on capital projects. Total net position of the Utility Fund increased by the net income for FY 2016 of $1.2 million, leaving the fund's ending total net position at $22.3 million.



ORIGINAL AND FINAL AMENDED BUDGETS

By resolution, the General Fund's FY 2016 capital budget was amended in October, 2015 by $1,471,350 for additional costs for the Stryker Center, while also recognizing corresponding grant revenues for the project. Budget amendments were also made for a VDOT grant of $607K for Richmond Road resurfacing, and $100K for demolition of two City-owned motels on Capitol Landing Road. In February 2016 City Council amended the capital budget again, transferring $250,000 from the economic development contingency, and $256,200 from Quarterpath Park improvements to fund various City studies. In June, 2016, supplemental appropriations were approved by City Council for grants totaling $28,186. In addition, the General Fund's capital improvement budget was increased by $6,714,606 to carry forward remaining appropriations for projects that were continued from the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City of Williamsburg's total investment in capital assets, including construction in progress, for its governmental and business type activities as of June 30, 2016, was $97.2 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, and recreation and park facilities. Major capital assets of the Utility Fund consist of all assets used to provide water and sewer services to City residents, including the major investment of the Waller Mill Reservoir and all properties adjacent to this watershed, and intangible water rights with the Newport News water agreement.

Major capital project fund activities during the current fiscal year included the following:

Governmental Funds:

- Annual street resurfacing program and Richmond Road from a VDOT grant continued during the year at a cost of $2 million.
- York Street sidewalk and roadway improvements totaling $747K.
- The Stryker Center was completed in February, 2016 with FY 2016 expenditures totaling $3 million.
- Information technology upgrades, pc replacement program, and network enhancements were completed at a cost of $194K.
- Economic development initiatives included demolition of the former White Lion Inn and Country Hearth Inn & Suites on Capitol Landing Road, totaling $309K.
- Improvements to the marina at Waller Mill Park were completed during the year at a cost of $679K.
- School project costs, including renovations to existing facilities, were paid during the year in the amount of $541K.
- Vehicles were replaced citywide under the replacement plan for $1.2 million, including a new fire pumper.

  The budget balances of any appropriated capital projects not completed at year end are carried forward to the next fiscal year, as provided for in the City's financial policies. Carryover funds for capital projects totaled approximately $7.4 million, including $2.6 million for the City's share of the new Middle School, and $1.2 million for the multi-use trail.

Utility Fund:

- Capital equipment repairs/replacement at the City's water treatment plant totaled about $39K during FY 2016.
- A pickup truck was replaced during the year at a cost of $36K.
- Water tanks were painted at a cost of $42K.
- Sewer line rehabilitation totaling $200K.
- Remaining funds from FY 2016 capital projects totaling $582K were carried-forward to FY 2017. The largest carryover project was the water tank roof replacement at the Filter Plant in the amount of $477K.

Additional information on the City of Williamsburg's capital assets can be found in the Note 6-Capital Assets, on pages 47 – 49 of the Notes to the Financial Statements section of this report.

Long-Term Debt

At June 30, 2016, the City of Williamsburg's total outstanding bonded debt was $13.9 million. Bonds payable for Governmental Activities were $8.0 million, while business-type activities owed $5.9 million at year end. The full faith and credit of the government backs these instruments. The City's total bonded debt decreased $1.6 million. The City's remaining capacity for debt at June 30, 2016 is approximately $164 million.

City staff continues to work with financial advisors, Davenport and Company, to analyze all aspects of capital project borrowing needs in order to secure the best interest rates if and when future borrowing is necessary. Additional information on the City's long-term debt can be found under *Financial Highlights* on the first page of this Management's Discussion and Analysis, and in Note 8 to the financial statements–Long-Term Obligations, on pages 51 – 53 of this report

Requests for Information

This financial report is designed to provide a general overview of the City of Williamsburg's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Williamsburg, 401 Lafayette St., Williamsburg, VA 23185

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Williamsburg, Virginia
Statement of Net Position
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Williamsburg Redevelopment and Housing Authority
ASSETS				
Cash and cash equivalents	$ 25,869,436	$ 4,579,303	$ 30,448,739	$ 544,467
Investments	3,201,791	840,747	4,042,538	212,658
Receivables (net of allowance for uncollectibles):				
Taxes receivable	321,184	-	321,184	-
Accounts receivable	1,251,023	1,109,583	2,360,606	1,763
Notes receivable	593,200	-	593,200	-
Interest receivable	66,164	41,987	108,151	-
Internal balances	1,312	(1,312)	-	-
Due from other governmental units	2,393,829	-	2,393,829	-
Inventories	1,907,175	-	1,907,175	20,824
Prepaid items	12,536	-	12,536	1,596
Capital assets (net of accumulated depreciation):				
Land and land improvement and open	8,797,413	6,434,330	15,231,743	1,587,071
Buildings and system	27,003,690	5,013,686	32,017,376	2,818,684
Improvements other than buildings	4,979,739	1,974,805	6,954,544	-
Machinery and equipment	3,105,016	459,138	3,564,154	41,230
Intangibles	121,739	10,322,429	10,444,168	-
Infrastructure	28,202,679	64,166	28,266,845	-
Construction in progress	673,294	-	673,294	-
Total assets	$ 108,501,220	$ 30,838,862	$ 139,340,082	$ 5,228,293
DEFERRED OUTFLOWS OF RESOURCES				
Pension contributions subsequent to measurement date	$ 1,485,384	$ 189,798	$ 1,675,182	$ -
Total deferred outflows of resources	$ 1,485,384	$ 189,798	$ 1,675,182	$ -
LIABILITIES				
Accounts payable	$ 1,171,464	$ 593,534	$ 1,764,998	$ 23,655
Accrued liabilities	210,590	19,344	229,934	5,714
Refundable deposits	168,024	55,209	223,233	35,666
Accrued interest payable	30,388	65,720	96,108	-
Unearned revenue	137,709	139,500	277,209	13,482
Long-term liabilities:				
Due within one year	1,648,541	712,294	2,360,835	-
Due in more than one year	7,497,601	5,613,458	13,111,059	114,000
Net pension liability, due in more than one	10,474,436	1,338,393	11,812,829	-
Total liabilities	$ 21,338,753	$ 8,537,452	$ 29,876,205	$ 192,517

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City of Williamsburg, Virginia
Statement of Net Position
June 30, 2016

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Williamsburg Redevelopment and Housing Authority
DEFERRED INFLOWS OF RESOURCES				
Items related to measurement of net pension liability	$ 1,435,776	$ 204,388	$ 1,640,164	$ -
Total deferred inflows of resources	$ 1,435,776	$ 204,388	$ 1,640,164	$ -
NET POSITION				
Net Investment in capital assets	$ 64,690,552	$ 18,084,285	$ 82,774,837	$ 4,332,985
Unrestricted	22,521,523	4,202,535	26,724,058	702,791
Total net position	$ 87,212,075	$ 22,286,820	$ 109,498,895	$ 5,035,776

The notes to the financial statements are an integral part of this statement.

City of Williamsburg, Virginia
Statement of Activities
For the Year Ended June 30, 2016

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
PRIMARY GOVERNMENT:				
Governmental activities:				
General government administration	$ 4,072,768	$ -	$ 133,416	$ -
Judicial administration	525,421	315,991		-
Public safety	10,290,497	936,509	506,468	-
Public works	3,721,977	-	1,719,115	1,357,913
Health and welfare	2,452,903	-	1,138,407	-
Education	8,929,127	-	1,093,871	-
Parks, recreation, and cultural	2,285,504	342,613	-	-
Community development	5,055,084	53,734	6,427	-
Interest on long-term debt	185,452	-	-	-
Total governmental activities	$ 37,518,733	$ 1,648,847	$ 4,597,704	$ 1,357,913
Business-type activities:				
Utility Fund	$ 6,202,622	$ 7,061,086	$ -	$ -
Total business-type activities	$ 6,202,622	$ 7,061,086	$ -	$ -
Total primary government	$ 43,721,355	$ 8,709,933	$ 4,597,704	$ 1,357,913
COMPONENT UNIT:				
WRHA	$ 947,512	$ 468,082	$ 160,340	$ 173,437
Total component unit	$ 947,512	$ 468,082	$ 160,340	$ 173,437

General revenues:
- General property taxes
- Local sales and use taxes
- Consumers' utility taxes
- Restaurant food taxes
- Hotel and motel taxes
- $2 lodging taxes
- Business license taxes
- Other local taxes
- Unrestricted revenues from use of money and property
- Miscellaneous
- Grants and contributions not restricted to specific programs

Total general revenues
Change in net position
Net position - beginning
Net position - ending

The notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Williamsburg Redevelopment and Housing Authority
$ (3,939,352)	$ -	$ (3,939,352)	$ -
(209,430)	-	(209,430)	-
(8,847,520)	-	(8,847,520)	-
(644,949)	-	(644,949)	-
(1,314,496)	-	(1,314,496)	-
(7,835,256)	-	(7,835,256)	-
(1,942,891)	-	(1,942,891)	-
(4,994,923)	-	(4,994,923)	-
(185,452)	-	(185,452)	-
$ (29,914,269)	$ -	$ (29,914,269)	$ -
$ -	$ 858,464	$ 858,464	$ -
$ -	$ 858,464	$ 858,464	$ -
$ (29,914,269)	$ 858,464	$ (29,055,805)	$ -
			$ (145,653)
			$ (145,653)
$ 12,628,123	$ -	$ 12,628,123	$ -
4,298,743	-	4,298,743	-
308,493	-	308,493	-
7,022,994	-	7,022,994	-
3,319,625	-	3,319,625	-
1,130,176	-	1,130,176	-
1,790,395	-	1,790,395	-
831,413	-	831,413	-
888,071	29,570	917,641	378
417,154	274,187	691,341	-
1,567,337	-	1,567,337	-
$ 34,202,524	$ 303,757	$ 34,506,281	$ 378
$ 4,288,255	$ 1,162,221	$ 5,450,476	$ (145,275)
82,923,820	21,124,599	104,048,419	5,181,051
$ 87,212,075	$ 22,286,820	$ 109,498,895	$ 5,035,776

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FUND FINANCIAL STATEMENTS

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Exhibit 3

City of Williamsburg, Virginia
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	$ 25,255,774	$ 613,662	$ 25,869,436
Investments	3,201,791	-	3,201,791
Receivables (net of allowance for uncollectibles):			
Taxes receivable	321,184	-	321,184
Accounts receivable	1,251,023	-	1,251,023
Notes receivable	593,200	-	593,200
Interest receivable	66,164	-	66,164
Due from other funds	24,948	-	24,948
Due from other governmental units	2,286,769	107,060	2,393,829
Inventories	1,907,175	-	1,907,175
Prepaid items	12,536	-	12,536
Total assets	$ 34,920,564	$ 720,722	$ 35,641,286
LIABILITIES			
Accounts payable	$ 1,064,247	$ 107,217	$ 1,171,464
Accrued liabilities	210,590	-	210,590
Refundable deposits	168,024	-	168,024
Due to other funds	-	23,636	23,636
Unearned revenue	72,141	65,568	137,709
Total liabilities	$ 1,515,002	$ 196,421	$ 1,711,423
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	$ 284,509	$ -	$ 284,509
Total deferred inflows of resources	$ 284,509	$ -	$ 284,509
FUND BALANCES			
Nonspendable	$ 1,919,711	$ -	$ 1,919,711
Restricted	-	524,301	524,301
Assigned	18,818,825	-	18,818,825
Unassigned	12,382,517	-	12,382,517
Total fund balances	$ 33,121,053	$ 524,301	$ 33,645,354
Total liabilities, deferred inflows of resources and fund balances	$ 34,920,564	$ 720,722	$ 35,641,286

The notes to the financial statements are an integral part of this statement.

Exhibit 4

City of Williamsburg, Virginia
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Position
June 30, 2016

Amounts reported for governmental activities in the statement of net position are different because:		
Total fund balances per Exhibit 3 - Balance Sheet - Governmental Funds		$ 33,645,354
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		72,883,570
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the funds. The following is a summary of items supporting this adjustment:		
Unavailable revenue - property taxes	$ 284,509	
Items related to measurement of net pension liability	(1,435,776)	(1,151,267)
Pension contributions subsequent to the measurement date will be a reduction to the net pension liability in the next fiscal year and, therefore are not reported in the funds.		1,485,384
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds. The following is a summary of items supporting this adjustment:		
General obligation bonds	$ (8,006,680)	
Deferred issuance premium	(186,338)	
Net pension liability	(10,474,436)	
Accrued interest payable	(30,388)	
Compensated absences	(953,124)	(19,650,966)
Net position of governmental activities		$ 87,212,075

The notes to the financial statements are an integral part of this statement.

Exhibit 5

City of Williamsburg, Virginia
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Other Governmental Funds	Total
REVENUES			
General property taxes	$ 12,599,297	$ -	$ 12,599,297
Other local taxes	18,701,839	-	18,701,839
Permits, privilege fees, and regulatory licenses	229,485	-	229,485
Fines and forfeitures	155,032	-	155,032
Revenue from the use of money and property	888,063	8	888,071
Charges for services	1,264,330	-	1,264,330
Miscellaneous	378,463	38,691	417,154
Recovered costs	958,213	-	958,213
Intergovernmental:			
Commonwealth	6,366,967	381,439	6,748,406
Federal	15,560	758,988	774,548
Total revenues	$ 41,557,249	$ 1,179,126	$ 42,736,375
EXPENDITURES			
Current:			
General government administration	$ 3,475,742	$ -	$ 3,475,742
Judicial administration	365,281	-	365,281
Public safety	10,038,777	4,593	10,043,370
Public works	2,786,405	-	2,786,405
Health and welfare	475,487	2,024,491	2,499,978
Education	8,388,204	-	8,388,204
Parks, recreation, and cultural	1,962,964	-	1,962,964
Community development	4,776,918	-	4,776,918
Capital projects	9,958,807	-	9,958,807
Debt service:			
Principal retirement	1,006,410	-	1,006,410
Interest and other fiscal charges	232,780	-	232,780
Total expenditures	$ 43,467,775	$ 2,029,084	$ 45,496,859
Excess (deficiency) of revenues over (under) expenditures	$ (1,910,526)	$ (849,958)	$ (2,760,484)
OTHER FINANCING SOURCES (USES)			
Transfers in	$ -	$ 945,548	$ 945,548
Transfers out	(945,548)	-	(945,548)
Total other financing sources (uses)	$ (945,548)	$ 945,548	$ -
Net change in fund balances	$ (2,856,074)	$ 95,590	$ (2,760,484)
Fund balances - beginning	35,977,127	428,711	36,405,838
Fund balances - ending	$ 33,121,053	$ 524,301	$ 33,645,354

The notes to the financial statements are an integral part of this statement.

Exhibit 6

City of Williamsburg, Virginia
Reconciliation of Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended June 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (2,760,484)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which the capital outlays exceeded the depreciation expense in the current period. The following is a summary of items supporting this adjustment:		
Capital outlay	$ 8,580,427	
Depreciation expense	(3,365,528)	5,214,899
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	28,826	
Changes in deferred inflows related to the measurement of the net pension liability	1,399,832	1,428,658
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. The following is a summary of items supporting this adjustment:		
Principal retirement on general obligation bonds	$ 1,006,410	
Amortization of premium	41,610	1,048,020
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as expenditures in governmental funds. The following is a summary of items supporting this adjustment:		
Change in compensated absences	$ (82,343)	
Change in net pension liability	(591,905)	
Change in deferred outflows related to pension payments subsequent to the measurement date	25,692	
Change in accrued interest payable	5,718	(642,838)
Change in net position of governmental activities		$ 4,288,255

The notes to the financial statements are an integral part of this statement.

Exhibit 7

City of Williamsburg, Virginia
Statement of Net Position
Proprietary Funds
June 30, 2016

		Utility Fund
ASSETS		
Current assets:		
Cash and cash equivalents	$	4,579,303
Investments		840,747
Interest receivable		41,987
Accounts receivable (net of allowances for uncollectibles)		1,109,583
Total current assets	$	6,571,620
Noncurrent assets:		
Capital assets:		
Land and land improvement and open easement	$	6,434,330
Buildings and system		11,842,633
Improvements other than buildings		7,476,060
Machinery and equipment		2,210,025
Intangibles		12,525,344
Infrastructure		83,860
Accumulated depreciation		(16,303,698)
Total net capital assets	$	24,268,554
Total noncurrent assets	$	24,268,554
Total assets	$	30,840,174
DEFERRED OUTFLOWS OF RESOURCES		
Pension contributions subsequent to measurement date	$	189,798
LIABILITIES		
Current liabilities:		
Accounts payable	$	593,534
Accrued liabilities		19,344
Refundable deposits		55,209
Accrued interest payable		65,720
Due to other funds		1,312
Compensated absences - current portion		78,861
Unearned revenue		139,500
General obligation bonds - current portion		633,433
Total current liabilities	$	1,586,913
LIABILITIES (Continued)		
Noncurrent liabilities:		
General obligation bonds - net of current portion	$	5,550,836
Net pension liability		1,338,393
Compensated absences - net of current portion		62,622
Total noncurrent liabilities	$	6,951,851
Total liabilities	$	8,538,764
DEFERRED INFLOWS OF RESOURCES		
Items related to measurement of net pension liability	$	204,388
NET POSITION		
Net investment in capital assets	$	18,084,285
Unrestricted		4,202,535
Total net position	$	22,286,820

The notes to the financial statements are an integral part of this statement.

Exhibit 8

City of Williamsburg, Virginia
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

		Utility Fund
OPERATING REVENUES		
Charges for services:		
Water revenues	$	4,572,661
Sewer revenues		1,868,382
Tap and availability fees		590,380
Penalty and interest		25,663
Miscellaneous		274,187
Total operating revenues	$	7,331,273
OPERATING EXPENSES		
Personnel services	$	1,257,443
Fringe benefits		463,897
Contractual services		2,075,692
Other charges		1,387,691
Depreciation		799,906
Total operating expenses	$	5,984,629
Operating income (loss)	$	1,346,644
NONOPERATING REVENUES (EXPENSES)		
Investment income	$	29,570
Interest expense		(217,993)
Connection fees		4,000
Total nonoperating revenues (expenses)	$	(184,423)
Change in net position	$	1,162,221
Total net position - beginning		21,124,599
Total net position - ending	$	22,286,820

The notes to the financial statements are an integral part of this statement.

Exhibit 9

City of Williamsburg, Virginia
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

		Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	7,285,748
Payments to suppliers		(3,394,856)
Payments to and for employees		(1,845,877)
Net cash provided by (used for) operating activities	$	2,045,015
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Connection fees	$	4,000
Net cash provided by (used for) noncapital financing activities	$	4,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	$	(267,016)
Principal payments on bonds		(611,590)
Interest expense		(210,715)
Net cash provided by (used for) capital and related financing activities	$	(1,089,321)
Net increase (decrease) in cash and cash equivalents	$	959,694
Cash and cash equivalents - beginning		3,619,609
Cash and cash equivalents - ending	$	4,579,303
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	$	1,346,644
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation		799,906
(Increase) decrease in accounts receivable		(10,602)
(Increase) decrease in deferred outflows of resources		66
Increase (decrease) in compensated absences		(14,392)
Increase (decrease) in accounts payable		60,303
Increase (decrease) in accrued liabilities		8,224
Increase (decrease) in unearned revenue		(4,500)
Increase (decrease) refundable deposits		2,745
Increase (decrease) in net pension liability		52,960
Increase (decrease) in deferred inflows of resources		(163,171)
Increase (decrease) in due to other funds		(33,168)
Total adjustments	$	698,371
Net cash provided by (used for) operating activities	$	2,045,015

The notes to the financial statements are an integral part of this statement.

Exhibit 10

City of Williamsburg, Virginia
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

		Agency Funds
ASSETS		
Cash and cash equivalents	$	1,327,011
Investments, at fair value:		
Other investments		1,462,847
Other assets		29,802
Total assets	$	2,819,660
LIABILITIES		
Accounts payable	$	82,761
Accrued liabilities		57,797
Amounts held for others		2,679,102
Total liabilities	$	2,819,660

The notes to the financial statements are an integral part of this statement.

Note 1—Summary of Significant Accounting Policies:

The City of Williamsburg, Virginia (the "City") was established by the General Assembly of the Commonwealth of Virginia in 1699 and was incorporated by British Royal Charter in 1722. The City is a municipal corporation governed by an elected mayor and four-member council. The accompanying financial statements present the government and the entities for which the government is considered to be financially accountable.

Financial Statement Presentation

Management's Discussion and Analysis - GASB Statement No. 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "Management's Discussion and Analysis" (MD&A).

Government-wide and Fund Financial Statements

Government-wide financial statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities but also capital assets and long-term liabilities (such as buildings and general obligation debt).

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Statement of Net Position - The Statement of Net Position is designed to display financial position of the primary government (governmental and business-type activities) and its discretely presented component unit. Governments will report all capital assets in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

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Note 1—Summary of Significant Accounting Policies: (Continued)

Statement of Activities - The government-wide Statement of Activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Budgetary comparison schedules - Demonstrating compliance with the adopted budget is an important component of a government's accountability to the public. Many citizens participate in one way or another in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. Many governments revise their original budgets over the course of the year for a variety of reasons. Under the GASB 34 reporting model, governments provide budgetary comparison information in their annual reports, including the original budget and a comparison of final budget and actual results.

A. Financial Reporting Entity

The basic criterion for determining whether a governmental department, agency, institution, commission, public authority, or other governmental organization should be included in a primary governmental unit's reporting entity for the basic financial statements is financial accountability. Financial accountability includes the appointment of a voting majority of the organization's governing body and the ability of the primary government to impose its will on the organization or if there is a financial benefit/burden relationship. In addition, an organization which is fiscally dependent on the primary government should be included in its reporting entity. These financial statements present the City of Williamsburg (the primary government) and its component unit. Blended component units, although legally separate entities, are in substance, part of the government's operations and so data from these units are combined with data of the primary government. Each discretely presented component unit, on the other hand, is reported in a separate column in the combined financial statements to emphasize it is legally separate from the government.

B. Individual Component Unit Disclosures

Blended Component Unit - The City has no blended component units to be included for the fiscal year ended June 30, 2016.

Note 1—Summary of Significant Accounting Policies: (Continued)

B. Individual Component Unit Disclosures (Continued)

Discretely Presented Component Units – The Williamsburg Redevelopment and Housing Authority (WRHA) is responsible for operating a low income housing program in the City which provides housing for eligible families, for operating redevelopment and conservation programs and for delivering of services to citizens of low income housing and urban renewal areas through the encouragement and development of social and economic opportunities. The Commissioners of the Authority are the members of City Council. The Authority is fiscally dependent on the City. The City is involved in the day-to-day operations of the WRHA, including the processing of their payroll, accounts payable and other managerial functions and therefore, the WRHA is included in the City's financial statements as a discrete presentation for the year ended June 30, 2016. WRHA's fiscal year of October 1 to September 30 differs from the City's fiscal year of July 1 to June 30. A copy of the separately issued financial statements may be obtained for the WRHA by writing to Williamsburg Redevelopment and Housing Authority, 401 Lafayette Street, P.O. Box 411, Williamsburg, VA 23185 or by calling (757) 220-3477.

C. Other Related Organizations

Not included in the City's financial statements are certain entities created as separate governments under the laws of the Commonwealth of Virginia. These agencies are separate legal entities having governmental character and sufficient autonomy in the management of their own affairs to distinguish them as separate from the administrative organization of the City, although certain members of their governing bodies are appointed by the City Council. Specific information on the nature of the individual agencies and description of their financial transactions affecting the City are provided in the following paragraphs:

1. The City of Williamsburg – County of James City, Virginia Joint Public Schools – Under the terms of an agreement dated January 14, 1954, and subsequently revised, between the governing bodies and the school boards of the City of Williamsburg, Virginia and the County of James City, Virginia, effective July 1, 1955, the two localities consolidated the operations of their schools. The latest agreement was amended April 24, 2012 for Fiscal Years 2013 through 2017. That agreement provides that the City's share of operational costs will be equivalent to the percentage of City students each year, times an add-on factor, then averaged over the two past fiscal year funding shares. The add-on factor for Fiscal Years 2016 and 2017 are as follows:

Fiscal Year	Factor
2016	1.14
2017	1.14

Note 1—Summary of Significant Accounting Policies: (Continued)

C. Other Related Organizations (Continued)

1. The City of Williamsburg – County of James City, Virginia Joint Public Schools (*Continued*)

Summary financial information on the school operations (General Fund) as of June 30, 2016, is as follows:

Total assets	$ 17,423,390
Liabilities	17,167,117
Fund equity and other credits	256,273
Total liabilities, fund equity, and other credits	$ 17,423,390
Revenues	$ 121,017,630
Expenditures and other financing uses	122,304,229
Excess of expenditures and other financing uses over revenues	$ (1,286,599)
Fund balance, beginning	1,542,872
Fund balance, ending	$ 256,273

General long-term obligations of the joint school operations consists of liabilities for early retirement, compensated absences, pensions, and obligations under capital leases. Each participating government is responsible for its own debt related to school properties.

2. Williamsburg Regional Library – The Library is a joint operation of the City of Williamsburg and the Counties of James City and York, Virginia, operating under a contract dated September 26, 2013. It receives funding from the Commonwealth of Virginia, the federal government, and some private sources. The Library's board is split between City and County appointees. The Library's management is independent from City and County control. During the current fiscal year, the City contributed $842,160 to the Library's operating budget, or 14.42% of its net appropriated support. Separate financial statements are prepared and are available, which reflect the details of its operations.

3. Other Agencies – Certain agencies and commissions service both the City of Williamsburg and surrounding localities. Board membership is allocated among the localities and their governing bodies make appointments. These agencies include: Hampton Roads Planning District Commission (HRPDC), Colonial Behavioral Health, Virginia Peninsula Regional Jail, Colonial Group Home Commission, Middle Peninsula Juvenile Detention Commission, Peninsula Agency on Aging, Community Action Agency, Virginia Peninsula Public Service Authority, Greater Williamsburg Partnership, and the Williamsburg Area Arts Commission.

Note 1—Summary of Significant Accounting Policies: (Continued)

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are prepared in accordance with pronouncements issued by the Governmental Accounting Standards Board. The principles prescribed by GASB represent generally accepted accounting principles applicable to governmental units.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, health and welfare, etc.) which are otherwise being supported by general government revenues, (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants, and contributions. The program revenues must be directly associated with the function (public safety, public works, health and welfare, etc.) or a business-type activity.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City's fiduciary funds are presented in the fund financial statements by type and have no measurement focus but use the accrual basis of accounting for asset and liability recognition. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide statements.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation *(Continued)*

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Accordingly, real and personal property taxes are recorded as revenues and receivables when billed, net of allowances for uncollectible amounts. Property taxes not collected within 60 days after year-end are reflected as unavailable revenues. Sales and utility taxes, which are collected by the state or utilities and subsequently remitted to the City, are recognized as revenues and receivables upon collection by the state or utility, which is generally within two months preceding receipt by the City.

Licenses, permits, fines and rents are recorded as revenues when received. Intergovernmental revenues, consisting primarily of federal, state and other grants for the purpose of funding specific expenditures, are recognized when earned or at the time of the specific expenditure. Revenues from general purpose grants are recognized in the period to which the grant applies. All other revenue items are considered to be measurable and available only when cash is received by the government.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

1. Governmental Funds

Governmental Funds are those through which most governmental functions typically are financed. The City reports the General Fund as a major governmental fund.

The General Fund is the primary operating fund of the City. This fund is used to account for and report all financial transactions and resources except those required to be accounted for and reported in another fund. Revenues are derived primarily from property and other local taxes, state and federal distributions, licenses, permits, charges for service, and interest income.

Special Revenue Funds account for and report the proceeds of specific revenue sources that are restricted, committed, or assigned to expenditure for specified purposes other than debt service or capital projects requiring separate accounting because of legal or regulatory provisions or administrative action. Special Revenue Funds consist of the following nonmajor funds: Virginia Public Assistance Fund and Law Enforcement Block Grant Fund. The Virginia Public Assistance Fund accounts for the Social Services programs of the City and is funded primarily through intergovernmental revenues.

2. Proprietary Funds

Proprietary Funds account for operations that are financed in a manner similar to private business enterprises. The Proprietary Fund measurement focus is upon determination of net income, financial position, and changes in financial position. Proprietary Funds consist of Enterprise Funds.

D. Measurement Focus, Basis of Accounting and Financial Statement Presentation *(Continued)*

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The City's major Enterprise Fund consists of the Utility Fund.

3. Fiduciary Funds

Fiduciary Funds (Trust and Agency Funds) account for assets held by the City unit in a trustee capacity or as an agent or custodian for individuals, private organizations, other governmental units, or other funds. These funds include Private Purpose Trust and Agency Funds. Private Purpose Trust Funds and Agency Funds utilize the accrual basis of accounting as described in the Proprietary Funds Presentation. Agency funds do not have a measurement focus. Agency funds include the Williamsburg Regional Library, the Williamsburg Tricentennial Fund, Economic Development Authority, and the Farmers Market Fund. Fiduciary funds are not included in the government-wide financial statements.

E. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within three months of the date acquired by the government.

F. Investments

Money market investments, participating interest-earning investment contracts (repurchase agreements) that have a remaining maturity at time of purchase of one year or less, nonparticipating interest-earning investment contracts (nonnegotiable certificates of deposit (CDs) and external investment pools are measured at amortized cost. All other investments are reported at fair value.

State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements.

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Note 1—Summary of Significant Accounting Policies: (Continued)

G. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portions of the interfund loans). All other outstanding balances between funds are reported as "advances to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. The City calculates its allowance for uncollectible accounts using historical collection data and, in certain cases, specific account analysis. The allowance amounted to approximately $274,130 at June 30, 2016 and is comprised of property taxes of $40,101 water and sewer charges of $109,475, and ambulance recovery fees of $124,554.

Real and Personal Property Tax Data:

The tax calendars for real and personal property taxes are summarized below.

	Real Property	Personal Property
Levy	July 1	January 1
Due Date	December 1 / June 1	December 1
Lien Date	July 1	January 1

The City bills and collects its own property taxes. The City follows the practice of reassessing real estate annually and personal property annually.

H. Capital Assets

Capital assets, which include property, plant and equipment, infrastructure, and intangibles are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the City as land, buildings, infrastructure, and equipment with an initial individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Intangible assets lack physical substance and have a nonfinancial nature and initial useful life extending beyond a single reporting period.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. Interest attributable to capitalized assets as of June 30, 2016 was immaterial.

Note 1—Summary of Significant Accounting Policies: (Continued)

H. Capital Assets (Continued)

Property, plant and equipment, infrastructure, and intangibles of the primary government are depreciated (including amortization of intangible assets) using the straight-line method over the following estimated useful lives.

Assets	Years
Buildings	40
Improvements other than buildings	20
Infrastructure	
Roads	30
Bridges and culverts	50
Water/sewer system	40
Machinery and equipment	3-10
Intangibles	40

I. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resource is reported as an expenditure and liability of the governmental fund that will pay it when it is matured. Compensated absences are reported in governmental funds only if they have matured to include unused reimbursable leave still outstanding following an employee's resignation or retirement. Thus, the only portion of a compensated absences liability that is reported in the governmental funds would be the amount of reimbursable unused vacation leave or sick leave payable to employees who had terminated their employment as of June 30th. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense in the Statement of Activities and a long-term obligation in the Statement of Net Position. In accordance with the provisions of Governmental Accounting Standards No. 16, Accounting for Compensated Absences, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is estimated will be taken as "terminal leave" prior to retirement.

J. Retirement Plan

Retirement plan contributions are actuarially determined and consist of current service costs and amortization of prior service cost over a 30-year period. The City's policy is to fund pension cost as it accrues.

K. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 1—Summary of Significant Accounting Policies: (Continued)

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category. It is comprised of contributions to the pension plan made during the current year and subsequent to the net pension asset or liability measurement date, which will be recognized as a reduction of the net pension asset or liability next fiscal year. For more detailed information on these items, reference the pension note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Under a modified accrual basis of accounting, unavailable revenue representing property taxes receivable is reported in the governmental funds balance sheet. This amount is comprised of uncollected property taxes due prior to June 30 and is deferred and recognized as an inflow of resources in the period that the amount becomes available. In addition, certain items related to the measurement of the net pension liability are reported as deferred inflows of resources. These include differences between expected and actual experience, change in assumptions, and the net difference between projected and actual earnings on pension plan investments. For more detailed information on these items, reference the pension note.

M. Net Position

Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets represents capital assets, less accumulated depreciation, less any outstanding debt related to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are also included in this component of net position.

N. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g. restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Note 1—Summary of Significant Accounting Policies: (Continued)

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Retirement Plan and the additions to/deductions from the City's Retirement Plan's net fiduciary position have been determined on the same basis as they were reported by the Virginia Retirement System (VRS). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

P. Long-term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Q. Prepaid Items

Certain payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in the financial statements using the consumption method.

R. Inventory

Inventory is valued at cost using the weighted average method. Inventory consists of expendable supplies held for consumption and is recorded as expenditures when used (consumption method). Inventory in the General Fund includes land purchased by the City and held for resale. These amounts are valued at their estimated fair market value.

S. Fund Equity

The City Council reports fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact (corpus of a permanent fund);
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any

S. Fund Equity (Continued)

other purpose unless the government takes the same highest level action to remove or change the constraint;

- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by the City Manager to which the governing body delegates the authority;
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are only reported in the general fund.

When fund balance resources are available for a specific purpose in more than one classification, it is the City's policy to use the most restrictive funds first in the following order: restricted, committed, assigned, and unassigned as they are needed.

City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives).

Assigned fund balance is established by the City Manager, who has been given the delegated authority by the City Council to assign amounts for a specific purpose (such as the purchase of capital assets, construction, debt service, or for other purposes).

In the general fund, the City strives to maintain an unassigned fund balance to be used for unanticipated emergencies equal to a minimum of 35% of General Fund operating revenue as shown in the City's most recent comprehensive annual financial report.

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Note 1—Summary of Significant Accounting Policies: (Continued)

S. Fund Equity (Continued)

The details of governmental fund balances, as presented in aggregate on Exhibit 3, are as follows:

	General Fund	Nonmajor Special Revenue Funds: Virginia Public Assistance Fund	Nonmajor Special Revenue Funds: Law Enforcement Block Grant Fund	Total
Fund Balances:				
Nonspendable:				
Prepaid Items	$ 12,536	$ -	$ -	$ 12,536
Inventory of land held for resale	1,907,175	-	-	1,907,175
Total Nonspendable Fund Balance	$ 1,919,711	$ -	$ -	$ 1,919,711
Restricted:				
Social services	$ -	$ 514,154	$ -	$ 514,154
Law enforcement	-	-	10,147	10,147
Total Restricted Fund Balance	$ -	$ 514,154	$ 10,147	$ 524,301
Assigned:				
Future capital projects	$ 18,818,825	$ -	$ -	$ 18,818,825
Total Assigned Fund Balance	$ 18,818,825	$ -	$ -	$ 18,818,825
Unassigned	$ 12,382,517	$ -	$ -	$ 12,382,517
Total Fund Balances	$ 33,121,053	$ 514,154	$ 10,147	$ 33,645,354

T. Adoption of Accounting Principles

Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*

The City implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. The Statement generally requires investments to be measured at fair value. The Statement requires the Board to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or an income approach. The Statement establishes a hierarchy of inputs used to measure fair value. There was no material impact on the Board's financial statement as a result of the implementation of Statement No. 72.

Note 1—Summary of Significant Accounting Policies: (Continued)

T. Adoption of Accounting Principles (Continued)

Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*

The City implemented the provisions of the above Statement during the fiscal year ended June 30, 2016. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this statement. There was no material impact on the Board's financial statement as a result of the implementation of Statement No. 79.

Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

The City early implemented provisions of the above Statement during the fiscal year ended June 30, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans,* No. 68, *Accounting and Financial Reporting for Pensions,* and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. No restatement was required as a result of this implementation.

Note 2—Stewardship, Compliance, and Accounting:

The following procedures are used by the City in establishing the budgetary data reflected in the financial statements:

1. The City Charter requires the City Manager to submit to the City Council an annual budget for the ensuing fiscal year at least 60 days prior to the beginning of such fiscal year.
2. A public hearing on the budget is held after a synopsis of the budget is published in a local newspaper of general circulation. After a public hearing, the City Council may change any item in the budget (other than debt service or items required by law). A budget resolution must be adopted by the City Council prior to June 30 or as soon thereafter as is practicable.
3. The City utilizes the budget resolution of budgetary control whereby City Council adopts budgets for estimated revenues and expenditures on a departmental basis for the General Fund and Special Revenue Funds. Adopted budgets may be amended or superseded by action of City Council.
4. Budgets are also adopted by City Council for the Enterprise Funds. Budget to actual comparisons for these funds are not presented herein since there is no legal requirement for such presentation.

Note 2—Stewardship, Compliance, and Accounting: (Continued)

5. All operating budgets include proposed expenditures and the means of financing them. The City Manager has the authority to transfer amounts within the departments, so long as the total appropriation for a department is not adjusted. Budgeted amounts as presented in the financial statements reflect reallocations within budget categories through June 30, 2016.
6. Appropriation control is maintained at the department level. Appropriations lapse at year end. Encumbrances and committed fund balances outstanding at year end are re-appropriated in the succeeding year.
7. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
8. The City utilizes a Finance and Audit Committee to assist City Council in carrying out its oversight responsibilities as they relate to financial reporting, internal controls and compliance with laws and regulations.

Expenditures and Appropriations

Expenditures exceeded appropriations in the following departments:

Department	Final Budget	Actual	Over exceed Amount
General Fund:			
Electoral board and officials	$ 24,133	$ 35,171	$ (11,038)
Regional Jail	1,156,822	1,195,375	(38,553)
Landscaping	579,119	581,110	(1,991)
Local health department	180,495	183,399	(2,904)
Community development	3,831,261	3,839,158	(7,897)
Virginia Public Assistance Fund:			
Public assistance	1,404,690	1,456,512	(51,822)

Note 3—Deposits and Investments:

Deposits

Deposits with banks are covered by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with the Virginia Security for Public Deposits Act (the "Act") Section 2.2-4400 et. seq. of the Code of Virginia. Under the Act, banks and saving institutions holding public deposits in excess of the amount insured by the FDIC must pledge collateral to the Commonwealth of Virginia Treasury Board. Financial Institutions may choose between two collateralization methodologies and depending upon that choice, will pledge collateral that ranges in the amounts from 50% to 130% of excess deposits. Accordingly, all deposits of the Williamsburg Redevelopment and Housing Authority, a discretely presented component unit, are considered fully collateralized.

Note 3—Deposits and Investments: (Continued)

Deposits (Continued)

At year-end the carrying value of the City's deposits with banks and savings institutions was $31,775,750 and the bank balance was $32,902,660. Of the bank balance, $32,902,660 was covered by Federal Depository Insurance Corporation. Of the Bank balance, $14,440,929 was uncollateralized in banks or savings and loans not qualifying under the Virginia Security for Public Deposits Act at June 30, 2016.

Investments

Statutes authorize the City to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development (World Bank), the Asian Development Bank, the African Development Bank, "prime quality" commercial paper and certain corporate notes, banker's acceptances, repurchase agreements and the State Treasurer's Local Government Investment Pool (LGIP).

Credit Risk of Debt Securities

The City's rated debt investments as of June 30, 2016 were rated by *Standard and Poor's* and the ratings are presented below using the *Standard and Poor's* rating scale. The City's investment policy has an emphasis on high credit quality and known marketability. Holdings of commercial paper are not allowed to exceed thirty-five percent of the investment portfolio, and not more than 5% per issuer.

City's Rated Debt Investments' Values

Rated Debt Investments	Fair Quality Ratings
	AAAm
Local Government Investment Pool	$ 5,505,385
Total	$ 5,505,385

Interest Rate Risk

According to the City's investment policy, no more than 50% of the portfolio may be invested in securities maturing in greater than one year.

Investment Maturities (in years)

Investment Type	Fair Value	Less Than 1 Year	1-5 Years
Local Government Investment Pool	$ 5,505,385	$ 5,505,385	$ -
Total	$ 5,505,385	$ 5,505,385	$ -

Note 3—Deposits and Investments: (Continued)

External Investment Pools

The value of the positions in the Local Government Investment Pool is the same as the value of pool shares. As LGIP is not SEC registered, regulatory oversight of the pool rests with the Virginia State Treasury. LGIP is amortized cost basis portfolios under the provisions of GASB Statement No. 79. There are no withdrawal limitations or restrictions imposed on participants.

Note 4—Due from Other Governments:

At June 30, 2016, the City has receivables from other governments as follows:

	Governmental Activities
Other Local Governments:	
County of James City	$ 5,011
Williamsburg-James City County Public Schools	327,706
Williamsburg Redevelopment and Housing Authority	118,604
Commonwealth of Virginia:	
Communications tax	113,607
VDOT	713,239
CSA pool funds	6,558
Local sales tax	773,560
Recordation tax	16,037
Shared expenses	8,437
Social services	34,756
State sales tax	199,175
Other	7,793
Federal Government:	
Transportation safety	3,600
Social Services	65,746
Total	$ 2,393,829

Note 5—Interfund Obligations:

Details of the Primary Government's interfund receivables and payables as of June 30, 2016 are as follows:

Fund	Interfund Receivables	Interfund Payables
General	$ 24,948	$ -
Virginia Public Assistance	-	1,312
Utility	-	23,636
Total	$ 24,948	$ 24,948

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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Note 6—Capital Assets:

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Governmental activities:				
Capital assets not subject to depreciation:				
Land and land improvements	$ 8,765,413	$ 32,000	$ -	$ 8,797,413
Construction in progress	3,413,276	673,294	3,413,276	673,294
Total capital assets not subject to depreciation	$ 12,178,689	$ 705,294	$ 3,413,276	$ 9,470,707
Capital assets subject to depreciation:				
Buildings and system	$ 37,029,269	$ 6,561,528	$ -	$ 43,590,797
Improvements other than buildings	13,219,581	869,760		14,089,341
Infrastructure	55,393,082	3,280,215	-	58,673,297
Intangible	306,552	-	-	306,552
Machinery and equipment	10,408,066	576,906	277,872	10,707,100
Total capital assets subject to depreciation	$ 116,356,550	$ 11,288,409	$ 277,872	$ 127,367,087
Accumulated depreciation:				
Buildings and system	$ 15,683,629	$ 903,478	$ -	$ 16,587,107
Improvements other than buildings	8,464,428	645,174		9,109,602
Infrastructure	29,415,796	1,054,822	-	30,470,618
Intangible	152,564	32,249	-	184,813
Machinery and equipment	7,150,151	729,805	277,872	7,602,084
Total accumulated depreciation	$ 60,866,568	$ 3,365,528	$ 277,872	$ 63,954,224
Total capital assets subject to depreciation, net	$ 55,489,982	$ 7,922,881	$ -	$ 63,412,863
Governmental activities capital assets, net	$ 67,668,671	$ 8,628,175	$ 3,413,276	$ 72,883,570

Note 6—Capital Assets: (Continued)

The following is a summary of changes in capital assets for the fiscal year ended June 30, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Business-type activities:				
Capital assets not subject to depreciation:				
Land and land improvements	$ 5,780,530	$ -	$ -	$ 5,780,530
Open easement	653,800	-	-	653,800
Total capital assets not subject to depreciation	6,434,330	-	$ -	$ 6,434,330
Capital assets subject to depreciation:				
Buildings and system	$ 11,842,633	$ -	$ -	$ 11,842,633
Intangibles	12,525,344	-	-	12,525,344
Improvements other than buildings	7,281,692	194,368	-	7,476,060
Infrastructure	83,860	-	-	83,860
Machinery and equipment	2,137,377	72,648	-	2,210,025
Total capital assets subject to depreciation	$ 33,870,906	$ 267,016	$ -	$ 34,137,922
Accumulated depreciation:				
Buildings and system	$ 6,593,290	$ 235,657	$ -	$ 6,828,947
Intangibles	1,887,881	315,034	-	2,202,915
Improvements other than buildings	5,381,662	119,593	-	5,501,255
Infrastructure	16,547	3,147	-	19,694
Machinery and equipment	1,624,412	126,475	-	1,750,887
Total accumulated depreciation	$ 15,503,792	$ 799,906	$ -	$ 16,303,698
Total capital assets subject to depreciation, net	$ 18,367,114	$ (532,890)	$ -	$ 17,834,224
Business-type activities capital assets, net	$ 24,801,444	$ (532,890)	$ -	$ 24,268,554

Note 6—Capital Assets: (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government administration	$ 1,107,548
Public safety	710,027
Public works	1,148,829
Health and welfare	8,706
Parks, recreation and cultural	386,485
Community development	3,933
Total depreciation expense - governmental activities	$ 3,365,528
Business-type activites:	
Utility Fund	$ 799,906

Note 7— Interfund Transfers:

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Fund	Transfers In	Transfers Out
General Fund	$ -	$ 945,548
Special Revenue Fund:		
Virginia Public Assistance Fund	945,548	-
Total	$ 945,548	$ 945,548

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgeting authorization.

Note 8—Long-Term Obligations:

The following is a summary of long-term obligation transactions of the City for the year ended June 30, 2016:

Primary Government:

	Balance July 1, 2015	Issuances/ Increases	Retirements/ Decreases	Balance June 30, 2016	Amounts Due Within One Year
Governmental activities:					
General obligation bond	$ 9,013,090	$ -	$ 1,006,410	$ 8,006,680	$ 1,032,568
Compensated absences	870,781	764,487	682,144	953,124	615,973
Net pension liability	9,882,531	4,935,987	4,344,082	10,474,436	-
Adjustment for deferred amounts:					
For issuance premium	227,948	-	41,610	186,338	-
Total Governmental activities	$ 19,994,350	$ 5,700,474	$ 6,074,246	$ 19,620,578	$ 1,648,541
Business-type activities:					
General obligation bonds	$ 6,530,909	$ -	$ 611,590	$ 5,919,319	$ 633,433
Compensated absences	155,875	86,931	101,323	141,483	78,861
Net pension liability	1,285,433	628,138	575,178	1,338,393	-
Adjustment for deferred amounts:					
For issuance premium	289,036	-	24,086	264,950	-
Total Business-type activities	$ 8,261,253	$ 715,069	$ 1,312,177	$ 7,664,145	$ 712,294

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ended June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	$ 1,032,567	$ 204,016	$ 633,433	$ 192,367
2018	1,029,676	181,515	454,324	179,698
2019	1,063,570	146,480	467,430	166,069
2020	1,089,465	123,382	480,535	151,106
2021	394,991	99,193	498,009	134,288
2022 - 2026	2,147,004	321,746	2,773,998	380,015
2027 - 2031	1,249,407	48,451	611,590	18,348
Total	$ 8,006,680	$ 1,124,783	$ 5,919,319	$ 1,221,891

Note 8—Long-Term Obligations: (Continued)

Details of long-term indebtedness are as follows:

Long-Term Obligations, Governmental Activities:	Total Amount
General Obligation Bonds :	
The City authorized and issued a $5,180,000 general obligation refunding bond in June 2012 for the purpose of refunding a Series 2005 general government obligation. The bond is payable in annual principal installments plus semi-annual interest payments at a various coupon rates, 2.00% thru 4.00%. Payments are due the first day October and April. Payments began October 1, 2012 and end April 1, 2020. Carrying value of debt allocable is $2,710,000 plus amortized premium of $150,524.	$ 2,860,524
The City authorized and issued a $10,635,000 general obligation refunding bond in October 2010 for the purpose of refunding a Series 2002 general government obligation and a Series 2009 enterprise fund obligation. The bond is payable in annual principal installments plus semi-annual interest payments at various coupon rates, 2.005% thru 4.50%. Payments are due the first day of May. Payments began May 1, 2011 and end May 1, 2027. Carrying value of the debt allocable to general government is $855,680 plus unamortized premium of $35,814.	891,494
The City authorized and issued a $5,000,000 general obligation bond in December 2013 for the purpose of renovating the Stryker Center. The bond is payable in semi-annual principal and interest payments at 2.60% per annum. Payments are due on June 1 and December 1. Payments began June 1, 2014 and end December 1, 2029.	4,441,000
Total general obligation bonds	$ 8,193,018
Compensated absences (payable from General Fund)	$ 953,124
Net pension liability (payable from General Fund)	$ 10,474,436
Total Long-Term Obligations, Governmental Activities	$ 19,620,578

Note 8—Long-Term Obligations: (Continued)

Details of long-term indebtedness are as follows (Continued):

Long-Term Obligations, Business-type Activities:	Total Amount
General Obligation Bond:	
The City authorized and issued a $10,635,000 general obligation refunding bond in October 2010 for the purpose of refunding a Series 2002 general government obligation and a Series 2009 enterprise fund obligation. The bond is payable in annual principal installments plus semi-annual interest payments at various coupon rates, 2.00% thru 4.50%. Payments are due the first day of May. Payments began May 1, 2011 and end May 1, 2027. Carrying value of the debt allocable to the business-type activities is $5,919,319 plus unamortized premium of $264,950.	$ 6,184,269
Total general obligation bond	$ 6,184,269
Compensated absences (payable from Enterprise Fund)	$ 141,483
Net pension liability (payable from Enterprise Fund)	$ 1,338,393
Total Long-Term Obligations, Business-type Activities	$ 7,664,145

Note 9—Unearned and Unavailable Revenue:

Unearned and unavailable revenue represents amounts for which asset recognition criteria have been met, but for which revenue recognition criteria have not been met. Under the modified accrual basis of accounting, such amounts are measurable, but not available. Unavailable revenue of $284,509 and unearned revenue of $277,209 totaling $561,718 is comprised of the following:

Unavailable Property Tax Revenue: Unavailable revenue representing uncollected tax billings not available for funding of current expenditures totaled $561,718 at June 30, 2016.

Unearned Revenue: Unearned revenue representing state personal property tax relief, courthouse maintenance funds, and other amounts not available for funding of current expenditures totaled $72,141 at June 30, 2016 and were reported in the general fund. The Special Revenue Funds reports $65,568 in unearned revenue related to summer youth program funds received but not expended at June 30, 2016.

The Utility Fund reports unearned revenue representing a lease agreement paid in advance by Crossroads Community Youth Home totaling $139,500 at June 30, 2016.

Note 10—Commitments and Contingencies:

Federal programs in which the City participates were audited in accordance with the provisions of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Pursuant to the provisions of the Uniform Guidance all major programs and certain other programs were tested for compliance with applicable grant requirements.

While no matters of noncompliance were disclosed by the audit, the Federal Government may subject grant programs to additional compliance tests which may result in disallowed expenditures. In the opinion of management, any future disallowance of current grant program expenditures, if any, would be immaterial.

Note 11—Litigation:

At June 30, 2016, there were no matters of litigation involving the City or which would materially affect the City's financial position should any court decisions on pending matters not be favorable to such entities.

Note 12—Risk Management:

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City joined together with other local governments in Virginia to form the Virginia Municipal Liability Pool, a public entity risk pool currently operating as a common risk management and insurance program for participating local governments. The City pays annual premiums to the pool for its property, theft, auto liability, and general liability coverage. Settled claims for the City resulting from these risks have not exceeded insurance coverage for each of the past three years. There was no reduction in insurance coverage during fiscal year 2016.

The City is also a participating member in the Virginia Municipal Group Self Insurance Association. This non-profit entity provides workers' compensation coverage in compliance with the Virginia Workers' Compensation Code. Each Association member jointly and severally agrees to assume, pay and discharge any liability. The City pays Virginia Municipal Group contributions and assessments based upon classifications and rates into a designated cash reserve fund out of which expenses of the Association and claims and awards are to be paid.

In the event of a loss deficit and depletion of all available excess insurance, the pool may assess all members in the proportion, which the premium of each bears to the total premiums of all members in the year in which such deficit occurs. In addition, the City provides various surety bond coverage as required under regulations and at industry recommended levels. Settlements have not exceeded commercial insurance coverage in any of the three past years.

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Note 13—Pension Plan:

Plan Description

All full-time, salaried permanent employees of the City are automatically covered by VRS Retirement Plan upon employment. This plan is an agent multiple-employer plan administered by the Virginia Retirement System (the System) along with plans for other employer groups in the Commonwealth of Virginia. Members earn one month of service credit for each month they are employed and for which they and their employer pay contributions to VRS. Members are eligible to purchase prior service, based on specific criteria as defined in the Code of Virginia, as amended. Eligible prior service that may be purchased includes prior public service, active military service, certain periods of leave, and previously refunded service.

The System administers three different benefit structures for covered employees – Plan 1, Plan 2, and, Hybrid. Each of these benefit structures has different eligibility criteria. The specific information for each plan and the eligibility for covered groups within each plan are set out in the table below:

RETIREMENT PLAN PROVISIONS		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 Plan 1 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013.	**About Plan 2** Plan 2 is a defined benefit plan. The retirement benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. Employees are eligible for Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013.	**About the Hybrid Retirement Plan** The Hybrid Retirement Plan combines the features of a defined benefit plan and a defined contribution plan. Most members hired on or after January 1, 2014 are in this plan, as well as Plan 1 and Plan 2 members who were eligible and opted into the plan during a special election window. (see "Eligible Members") • The defined benefit is based on a member's age, creditable service and average final compensation at retirement using a formula. • The benefit from the defined contribution component of the plan depends on the member and employer contributions made to the plan and the investment performance of those contributions.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
About Plan 1 (Continued)	**About Plan 2 (Continued)**	**About the Hybrid Retirement Plan (Continued)** • In addition to the monthly benefit payment payable from the defined benefit plan at retirement, a member may start receiving distributions from the balance in the defined contribution account, reflecting the contributions, investment gains or losses, and any required fees.
Eligible Members Employees are in Plan 1 if their membership date is before July 1, 2010, and they were vested as of January 1, 2013. **Hybrid Opt-In Election** VRS non-hazardous duty covered Plan 1 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 1 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in Plan 2 if their membership date is on or after July 1, 2010, or their membership date is before July 1, 2010, and they were not vested as of January 1, 2013. **Hybrid Opt-In Election** Eligible Plan 2 members were allowed to make an irrevocable decision to opt into the Hybrid Retirement Plan during a special election window held January 1 through April 30, 2014. The Hybrid Retirement Plan's effective date for eligible Plan 2 members who opted in was July 1, 2014. If eligible deferred members returned to work during the election window, they were also eligible to opt into the Hybrid Retirement Plan.	**Eligible Members** Employees are in the Hybrid Retirement Plan if their membership date is on or after January 1, 2014. This includes: • Political subdivision employees* • Members in Plan 1 or Plan 2 who elected to opt into the plan during the election window held January 1-April 30, 2014; the plan's effective date for opt-in members was July 1, 2014. ***Non-Eligible Members** Some employees are not eligible to participate in the Hybrid Retirement Plan. They include: • Political subdivision employees who are covered by enhanced benefits for hazardous duty employees.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Hybrid Opt-In Election (Cont.) Members who were eligible for an optional retirement plan (ORP) and had prior service under Plan 1 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 1 or ORP.	**Hybrid Opt-In Election (Cont.)** Members who were eligible for an optional retirement plan (ORP) and have prior service under Plan 2 were not eligible to elect the Hybrid Retirement Plan and remain as Plan 2 or ORP.	***Non-Eligible Members (Cont.)** Those employees eligible for an optional retirement plan (ORP) must elect the ORP plan or the Hybrid Retirement Plan. If these members have prior service under Plan 1 or Plan 2, they are not eligible to elect the Hybrid Retirement Plan and must select Plan 1 or Plan 2 (as applicable) or ORP.
Retirement Contributions Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016. Member contributions are tax-deferred until they are withdrawn as part of a retirement benefit or as a refund. The employer makes a separate actuarially determined contribution to VRS for all covered employees. VRS invests both member and employer contributions to provide funding for the future benefit payment.	**Retirement Contributions** Employees contribute 5% of their compensation each month to their member contribution account through a pre-tax salary reduction. Some political subdivisions elected to phase in the required 5% member contribution but all employees will be paying the full 5% by July 1, 2016.	**Retirement Contributions** A member's retirement benefit is funded through mandatory and voluntary contributions made by the member and the employer to both the defined benefit and the defined contribution components of the plan. Mandatory contributions are based on a percentage of the employee's creditable compensation and are required from both the member and the employer. Additionally, members may choose to make voluntary contributions to the defined contribution component of the plan, and the employer is required to match those voluntary contributions according to specified percentages.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Creditable Service Creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit.	**Creditable Service** Same as Plan 1.	**Creditable Service** **Defined Benefit Component:** Under the defined benefit component of the plan, creditable service includes active service. Members earn creditable service for each month they are employed in a covered position. It also may include credit for prior service the member has purchased or additional creditable service the member was granted. A member's total creditable service is one of the factors used to determine their eligibility for retirement and to calculate their retirement benefit. It also may count toward eligibility for the health insurance credit in retirement, if the employer offers the health insurance credit. **Defined Contributions Component:** Under the defined contribution component, creditable service is used to determine vesting for the employer contribution portion of the plan.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting Vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members become vested when they have at least five years (60 months) of creditable service. Vesting means members are eligible to qualify for retirement if they meet the age and service requirements for their plan. Members also must be vested to receive a full refund of their member contribution account balance if they leave employment and request a refund. Members are always 100% vested in the contributions that they make.	**Vesting** Same as Plan 1.	**Vesting** **Defined Benefit Component:** Defined benefit vesting is the minimum length of service a member needs to qualify for a future retirement benefit. Members are vested under the defined benefit component of the Hybrid Retirement Plan when they reach five years (60 months) of creditable service. Plan 1 or Plan 2 members with at least five years (60 months) of creditable service who opted into the Hybrid Retirement Plan remain vested in the defined benefit component. **Defined Contributions Component:** Defined contribution vesting refers to the minimum length of service a member needs to be eligible to withdraw the employer contributions from the defined contribution component of the plan. Members are always 100% vested in the contributions that they make.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Vesting (Cont.)	**Vesting (Cont.)**	**Vesting (Cont.)** **Defined Contributions Component: (Cont.)** Upon retirement or leaving covered employment, a member is eligible to withdraw a percentage of employer contributions to the defined contribution component of the plan, based on service. • After two years, a member is 50% vested and may withdraw 50% of employer contributions. • After three years, a member is 75% vested and may withdraw 75% of employer contributions. • After four or more years, a member is 100% vested and may withdraw 100% of employer contributions. Distribution is not required by law until age 70½.
Calculating the Benefit The Basic Benefit is calculated based on a formula using the member's average final compensation, a retirement multiplier and total service credit at retirement. It is one of the benefit payout options available to a member at retirement.	**Calculating the Benefit** See definition under Plan 1.	**Calculating the Benefit** **Defined Benefit Component:** See definition under Plan 1

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Calculating the Benefit (Cont.) An early retirement reduction factor is applied to the Basic Benefit if the member retires with a reduced retirement benefit or selects a benefit payout option other than the Basic Benefit.	**Calculating the Benefit (Cont.)**	**Calculating the Benefit (Cont.)** **Defined Contribution Component:** The benefit is based on contributions made by the member and any matching contributions made by the employer, plus net investment earnings on those contributions.
Average Final Compensation A member's average final compensation is the average of the 36 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** A member's average final compensation is the average of their 60 consecutive months of highest compensation as a covered employee.	**Average Final Compensation** Same as Plan 2. It is used in the retirement formula for the defined benefit component of the plan.
Service Retirement Multiplier **VRS:** The retirement multiplier is a factor used in the formula to determine a final retirement benefit. The retirement multiplier for non-hazardous duty members is 1.70%. **Sheriffs and regional jail superintendents:** The retirement multiplier for sheriffs and regional jail superintendents is 1.85%. **Political subdivision hazardous duty employees:** The retirement multiplier of eligible political subdivision hazardous duty employees other than sheriffs and regional jail superintendents is 1.70% or 1.85% as elected by the employer.	**Service Retirement Multiplier** **VRS:** Same as Plan 1 for service earned, purchased or granted prior to January 1, 2013. For non-hazardous duty members the retirement multiplier is 1.65% for creditable service earned, purchased or granted on or after January 1, 2013. **Sheriffs and regional jail superintendents:** Same as Plan 1. **Political subdivision hazardous duty employees:** Same as Plan 1.	**Service Retirement Multiplier** **Defined Benefit Component:** **VRS:** The retirement multiplier for the defined benefit component is 1.00%. For members who opted into the Hybrid Retirement Plan from Plan 1 or Plan 2, the applicable multipliers for those plans will be used to calculate the retirement benefit for service credited in those plans. **Sheriffs and regional jail superintendents:** Not applicable. **Political subdivision hazardous duty employees:** Not applicable. **Defined Contribution Component:** Not applicable.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Normal Retirement Age **VRS:** Age 65. **Political subdivisions hazardous duty employees:** Age 60.	**Normal Retirement Age** **VRS:** Normal Social Security retirement age. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Normal Retirement Age** **Defined Benefit Component:** **VRS:** Same as Plan 2. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Unreduced Retirement Eligibility **VRS:** Age 65 with at least five years (60 months) of creditable service or at age 50 with at least 30 years of creditable service. **Political subdivisions hazardous duty employees:** Age 60 with at least five years of creditable service or age 50 with at least 25 years of creditable service.	**Earliest Unreduced Retirement Eligibility** **VRS:** Normal Social Security retirement age with at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Unreduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Normal Social Security retirement age and have at least five years (60 months) of creditable service or when their age and service equal 90. **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Earliest Reduced Retirement Eligibility **VRS:** Age 55 with at least five years (60 months) of creditable service or age 50 with at least 10 years of creditable service.	**Earliest Reduced Retirement Eligibility** **VRS:** Age 60 with at least five years (60 months) of creditable service.	**Earliest Reduced Retirement Eligibility** **Defined Benefit Component:** **VRS:** Members may retire with a reduced benefit as early as age 60 with at least five years (60 months) of creditable service.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Earliest Reduced Retirement Eligibility (Cont.) **Political subdivisions hazardous duty employees:** 50 with at least five years of creditable service.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Same as Plan 1.	**Earliest Reduced Retirement Eligibility (Cont.)** **Political subdivisions hazardous duty employees:** Not applicable. **Defined Contribution Component:** Members are eligible to receive distributions upon leaving employment, subject to restrictions.
Cost-of-Living Adjustment (COLA) in Retirement The Cost-of-Living Adjustment (COLA) matches the first 3% increase in the Consumer Price Index for all Urban Consumers (CPI-U) and half of any additional increase (up to 4%) up to a maximum COLA of 5%. **Eligibility:** For members who retire with an unreduced benefit or with a reduced benefit with at least 20 years of creditable service, the COLA will go into effect on July 1 after one full calendar year from the retirement date. For members who retire with a reduced benefit and who have less than 20 years of creditable service, the COLA will go into effect on July 1 after one calendar year following the unreduced retirement eligibility date.	**Cost-of-Living Adjustment (COLA) in Retirement** The Cost-of-Living Adjustment (COLA) matches the first 2% increase in the CPI-U and half of any additional increase (up to 2%), for a maximum COLA of 3%. **Eligibility:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement** **Defined Benefit Component:** Same as Plan 2. **Defined Contribution Component:** Not applicable. **Eligibility:** Same as Plan 1 and Plan 2.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Cost-of-Living Adjustment (COLA) in Retirement (Cont.) **Exceptions to COLA Effective Dates:** The COLA is effective July 1 following one full calendar year (January 1 to December 31) under any of the following circumstances: • The member is within five years of qualifying for an unreduced retirement benefit as of January 1, 2013. • The member retires on disability. • The member retires directly from short-term or long-term disability under the Virginia Sickness and Disability Program (VSDP). • The member is involuntarily separated from employment for causes other than job performance or misconduct and is eligible to retire under the Workforce Transition Act or the Transitional Benefits Program. • The member dies in service and the member's survivor or beneficiary is eligible for a monthly death-in-service benefit. The COLA will go into effect on July 1 following one full calendar year (January 1 to December 31) from the date the monthly benefit begins.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1.	**Cost-of-Living Adjustment (COLA) in Retirement (Cont.)** **Exceptions to COLA Effective Dates:** Same as Plan 1 and Plan 2.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

RETIREMENT PLAN PROVISIONS (CONTINUED)		
PLAN 1	**PLAN 2**	**HYBRID RETIREMENT PLAN**
Disability Coverage Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.7% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.	**Disability Coverage** Members who are eligible to be considered for disability retirement and retire on disability, the retirement multiplier is 1.65% on all service, regardless of when it was earned, purchased or granted. VSDP members are subject to a one-year waiting period before becoming eligible for non-work related disability benefits.	**Disability Coverage** Employees of political subdivisions (including Plan 1 and Plan2 opt-ins) participate in the Virginia Local Disability Program (VLDP) unless their local governing body provides an employer-paid comparable program for its members. Hybrid members (including Plan 1 and Plan 2 opt-ins) covered under VLDP are subject to a one-year waiting period before becoming eligible for non-work-related disability benefits.
Purchase of Prior Service Members may be eligible to purchase service from previous public employment, active duty military service, an eligible period of leave or VRS refunded service as creditable service in their plan. Prior creditable service counts toward vesting, eligibility for retirement and the health insurance credit. Only active members are eligible to purchase prior service. When buying service, members must purchase their most recent period of service first. Members also may be eligible to purchase periods of leave without pay.	**Purchase of Prior Service** Same as Plan 1.	**Purchase of Prior Service** **Defined Benefit Component:** Same as Plan 1, with the following exceptions: • Hybrid Retirement Plan members are ineligible for ported service. • The cost for purchasing refunded service is the higher of 4% of creditable compensation or average final compensation. • Plan members have one year from their date of hire or return from leave to purchase all but refunded prior service at approximate normal cost. After that one-year period, the rate for most categories of service will change to actuarial cost. **Defined Contribution Component:** Not applicable.

Note 13—Pension Plan: (Continued)

Plan Description (Continued)

The System issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for the plans administered by VRS. A copy of the most recent report may be obtained from the VRS website at http://www.varetire.org/Pdf/Publications/2015-annual-report.pdf or by writing to the System's Chief Financial Officer at P.O. Box 2500, Richmond, VA, 23218-2500.

Employees Covered by Benefit Terms

As of the June 30, 2014 actuarial valuation, the following employees were covered by the benefit terms of the pension plan:

	Number
Inactive members or their beneficiaries currently receiving benefits	204
Inactive members:	
Vested inactive members	39
Non-vested inactive members	36
Active elsewhere in VRS	101
Total inactive members	176
Active members	178
Total covered employees	558

Contributions

The contribution requirement for active employees is governed by §51.1-145 of the Code of Virginia, as amended, but may be impacted as a result of funding options provided to political subdivisions by the Virginia General Assembly. Employees are required to contribute 5.00% of their compensation toward their retirement. Prior to July 1, 2012, all or part of the 5.00% member contribution may have been assumed by the employer. Beginning July 1, 2012 new employees were required to pay the 5% member contribution. In addition, for existing employees, employers were required to begin making the employee pay the 5.00% member contribution. This could be phased in over a period of up to 5 years and the employer is required to provide a salary increase equal to the amount of the increase in the employee-paid member contribution.

The City's contractually required contribution rate for the year ended June 30, 2016 was 17.04% of covered employee compensation. This rate was based on an actuarially determined rate from an actuarial valuation as of June 30, 2013.

This rate, when combined with employee contributions, was expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from them were $1,675,182 and $1,652,087 for the years ended June 30, 2016 and June 30, 2015, respectively.

Note 13—Pension Plan: (Continued)

Net Pension Liability

The City's net pension liability was measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation performed as of June 30, 2014, using updated actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Actuarial Assumptions – General Employees

The total pension liability for General Employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% – 5.35%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Mortality rates: 14% of deaths are assumed to be service related

Largest 10 – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:

Pre-Retirement:

RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set forward 4 years and females set back 2 years

Post-Retirement:

RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:

RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

Note 13—Pension Plan: (Continued)

Actuarial Assumptions – General Employees (Continued)

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Actuarial Assumptions – Public Safety Employees

The total pension liability for Public Safety employees in the City's Retirement Plan was based on an actuarial valuation as of June 30, 2014, using the Entry Age Normal actuarial cost method and the following assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015.

Inflation	2.5%
Salary increases, including inflation	3.5% – 4.75%
Investment rate of return	7.0%, net of pension plan investment expense, including inflation*

* Administrative expenses as a percent of the market value of assets for the last experience study were found to be approximately 0.06% of the market assets for all of the VRS plans. This would provide an assumed investment return rate for GASB purposes of slightly more than the assumed 7.0%. However, since the difference was minimal, and a more conservative 7.0% investment return assumption provided a projected plan net position that exceeded the projected benefit payments, the long-term expected rate of return on investments was assumed to be 7.0% to simplify preparation of pension liabilities.

Note 13—Pension Plan: (Continued)

Actuarial Assumptions – Public Safety Employees (Continued)

Mortality rates: 60% of deaths are assumed to be service related

Largest 10 – Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

All Others (Non 10 Largest) – Non-LEOS:
Pre-Retirement:
RP-2000 Employee Mortality Table Projected with Scale AA to 2020 with males set back 2 years and females set back 2 years

Post-Retirement:
RP-2000 Combined Mortality Table Projected with Scale AA to 2020 with males set forward 1 year

Post-Disablement:
RP-2000 Disability Life Mortality Table Projected to 2020 with males set back 3 years and no provision for future mortality improvement

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2008 through June 30, 2012. Changes to the actuarial assumptions as a result of the experience study are as follows:

Largest 10 – LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

Note 13—Pension Plan: (Continued)

Long-Term Expected Rate of Return

The long-term expected rate of return on pension System investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension System investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class (Strategy)	Target Allocation	Arithmetic Long-Term Expected Rate of Return	Weighted Average Long-Term Expected Rate of Return
U.S. Equity	19.50%	6.46%	1.26%
Developed Non U.S. Equity	16.50%	6.28%	1.04%
Emerging Market Equity	6.00%	10.00%	0.60%
Fixed Income	15.00%	0.09%	0.01%
Emerging Debt	3.00%	3.51%	0.11%
Rate Sensitive Credit	4.50%	3.51%	0.16%
Non Rate Sensitive Credit	4.50%	5.00%	0.23%
Convertibles	3.00%	4.81%	0.14%
Public Real Estate	2.25%	6.12%	0.14%
Private Real Estate	12.75%	7.10%	0.91%
Private Equity	12.00%	10.41%	1.25%
Cash	1.00%	-1.50%	-0.02%
Total	100.00%		5.83%
		Inflation	2.50%
		*Expected arithmetic nominal return	8.33%

* Using stochastic projection results provides an expected range of real rates of return over various time horizons. Looking at one year results produces an expected real return of 8.33% but also has a high standard deviation, which means there is high volatility. Over larger time horizons the volatility declines significantly and provides a median return of 7.44%, including expected inflation of 2.50%.

Note 13—Pension Plan: (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made per the VRS Statutes and the employer contributions will be made in accordance with the VRS funding policy at rates equal to the difference between actuarially determined contribution rates adopted by the VRS Board of Trustees and the member rate. Through the fiscal year ending June 30, 2018, the rate contributed by the employer for the City Retirement Plan will be subject to the portion of the VRS Board-certified rates that are funded by the Virginia General Assembly. From July 1, 2018 on, participating employers are assumed to contribute 100% of the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore the long-term expected rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at June 30, 2014	$ 63,326,533	$ 52,158,569	$ 11,167,964
Changes for the year:			
Service cost	$ 1,178,813	$ -	$ 1,178,813
Interest	4,331,841	-	4,331,841
Differences between expected and actual experience	(361,478)	-	(361,478)
Contributions - employer	-	1,649,556	(1,649,556)
Contributions - employee	-	506,966	(506,966)
Net investment income	-	2,381,156	(2,381,156)
Benefit payments, including refunds of employee contributions	(2,886,192)	(2,886,192)	-
Administrative expenses	-	(32,867)	32,867
Other changes	-	(500)	500
Net changes	$ 2,262,984	$ 1,618,119	$ 644,865
Balances at June 30, 2015	$ 65,589,517	$ 53,776,688	$ 11,812,829

Note 13—Pension Plan: (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City using the discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	Rate		
	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
City Net Pension Liability	$ 19,807,736	$ 11,812,829	$ 5,128,610

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the City recognized pension expense of $731,418. At June 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 232,379
Net difference between projected and actual earnings on pension plan investments	-	1,407,785
Employer contributions subsequent to the measurement date	1,675,182	-
Total	$ 1,675,182	$ 1,640,164

Note 13—Pension Plan: (Continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

$1,675,182 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	
2017	$ (681,243)
2018	(655,424)
2019	(552,143)
2020	248,646
2021	-
Thereafter	-

Note 14—Surety Bonds:

Surety bonds covered the following constitutional officers and City employees at June 30, 2016:

	Amount
Travelers Casualty and Surety Company of America	
Philip F. Serra, Director of Finance	$ 500,000
Judy Nightengale Fuqua, Commissioner of the Revenue	3,000
Mona A. Foley, Clerk of Circuit Court	103,000
Robert Deeds, Sheriff	30,000
Employees of Constitutional officers - blanket bond	1,000,000
Police Department - blanket bond	100,000
All City of Williamsburg employees except Constitutional Officers and their subordinates and the Police Department	100,000

Note 15—Upcoming Pronouncements:

Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement 43, and Statement No. 50, *Pension Disclosures*. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension,* improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans. This Statement is effective for fiscal years beginning after June 15, 2017.

Statement No. 77, *Tax Abatement Disclosures,* will increase the disclosure of tax abatement agreements to disclose information about the agreements. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015.

Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81, *Irrevocable Split-Interest Agreements*, improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively.

Management is currently evaluating the impact these standards will have on the financial statements when adopted.

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REQUIRED SUPPLEMENTARY INFORMATION

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Exhibit 11

City of Williamsburg, Virginia
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget - Positive (Negative)
REVENUES				
General property taxes	$ 12,542,768	$ 12,542,768	$ 12,599,297	$ 56,529
Other local taxes	18,092,800	18,092,800	18,701,839	609,039
Permits, privilege fees, and regulatory licenses	156,690	156,690	229,485	72,795
Fines and forfeitures	207,200	207,200	155,032	(52,168)
Revenue from the use of money and property	804,150	804,150	888,063	83,913
Charges for services	1,140,050	1,140,050	1,264,330	124,280
Miscellaneous	408,681	418,588	378,463	(40,125)
Recovered costs	976,666	976,741	958,213	(18,528)
Intergovernmental:				
Commonwealth	6,525,330	7,291,513	6,366,967	(924,546)
Federal	-	11,960	15,560	3,600
Total revenues	$ 40,854,335	$ 41,642,460	$ 41,557,249	$ (85,211)
EXPENDITURES				
Current:				
General government administration	$ 3,846,537	$ 3,762,714	$ 3,475,742	$ 286,972
Judicial administration	420,000	420,000	365,281	54,719
Public safety	10,226,947	10,271,184	10,038,777	232,407
Public works	2,826,260	2,838,983	2,786,405	52,578
Health and welfare	473,195	473,195	475,487	(2,292)
Education	8,715,910	8,715,910	8,388,204	327,706
Parks, recreation, and cultural	2,160,133	2,161,341	1,962,964	198,377
Community development	4,784,054	4,825,471	4,776,918	48,553
Capital projects	10,518,094	18,834,117	9,958,807	8,875,310
Debt service:				
Principal retirement	1,006,410	1,006,410	1,006,410	-
Interest and other fiscal charges	232,780	232,780	232,780	-
Total expenditures	$ 45,210,320	$ 53,542,105	$ 43,467,775	$ 10,074,330
Excess (deficiency) of revenues over (under) expenditures	$ (4,355,985)	$ (11,899,645)	$ (1,910,526)	$ 9,989,119
OTHER FINANCING SOURCES (USES)				
Transfers out	$ (1,050,533)	$ (1,050,533)	$ (945,548)	$ 104,985
Total other financing sources (uses)	$ (1,050,533)	$ (1,050,533)	$ (945,548)	$ 104,985
Net change in fund balances	$ (5,406,518)	$ (12,950,178)	$ (2,856,074)	$ 10,094,104
Fund balances - beginning	5,406,518	12,950,178	35,977,127	23,026,949
Fund balances - ending	$ -	$ -	$ 33,121,053	$ 33,121,053

Schedule of Components of and Changes in Net Pension Liability and Related Ratios
For the Year Ended June 30, 2016

	2015	2014
Total pension liability		
Service cost	$ 1,178,813	$ 1,182,529
Interest	4,331,841	4,155,774
Difference between expected and actual experience	(361,478)	-
Benefit payments, including refunds of employee contributions	(2,886,192)	(2,759,933)
Net change in total pension liability	$ 2,262,984	$ 2,578,370
Total pension liability - beginning	63,326,533	60,748,163
Total pension liability - ending (a)	$ 65,589,517	$ 63,326,533
Plan fiduciary net position		
Contributions - employer	$ 1,649,556	$ 1,558,890
Contributions - employee	506,966	478,336
Net investment income	2,381,156	7,179,163
Benefit payments, including refunds of employee contributions	(2,886,192)	(2,759,933)
Administrative expense	(32,867)	(38,979)
Other	(500)	379
Net change in plan fiduciary net position	$ 1,618,119	$ 6,417,856
Plan fiduciary net position - beginning	52,158,569	45,740,713
Plan fiduciary net position - ending (b)	$ 53,776,688	$ 52,158,569
City's net pension liability - ending (a) - (b)	$ 11,812,829	$ 11,167,964
Plan fiduciary net position as a percentage of the total pension liability	81.99%	82.36%
Covered payroll	$ 9,695,347	$ 9,570,924
City's net pension liability as a percentage of covered payroll	121.84%	116.69%

Schedule is intended to show information for 10 years. Information prior to the 2014 valuation is not available. However, additional years will be included as they become available.

Schedule of Employer Contributions
For the Year Ended June 30, 2016

Date	Contractually Required Contribution (1)	Contributions in Relation to Contractually Required Contribution (2)	Contribution Deficiency (Excess) (3)	Employer's Covered Payroll (4)	Contributions as a % of Covered Payroll (5)
2016	$ 1,675,182	$ 1,675,182	$ -	$ 9,830,879	17.04%
2015	1,652,087	1,652,087	-	9,695,347	17.04%
2014	1,559,104	1,559,104	-	9,570,924	16.29%
2013	1,503,579	1,503,579	-	9,230,075	16.29%
2012	1,020,021	1,020,021	-	8,916,264	11.44%
2011	1,002,249	1,002,249	-	8,760,922	11.44%
2010	923,738	923,738	-	8,805,887	10.49%
2009	1,010,919	1,010,919	-	9,636,974	10.49%
2008	1,048,420	1,048,420	-	9,302,753	11.27%
2007	1,000,469	1,000,469	-	8,877,277	11.27%

In 2015, Covered Employee Payroll (as defined by GASB 68) included the total payroll for employees covered under the pension plan whether that payroll is subject to pension coverage or not. This definition was modified in GASB Statement No. 82 and now is the payroll on which contributions to a pension plan are based. The ratios presented use the same measure.

Changes of benefit terms – There have been no actuarially material changes to the System benefit provisions since the prior actuarial valuation. The 2014 valuation includes Hybrid Retirement Plan members for the first time. The hybrid plan applies to most new employees hired on or after January 1, 2014 and not covered by enhanced hazardous duty benefits. Because this was a new benefit and the number of participants was relatively small, the impact on the liabilities as of the measurement date of June 30, 2015 is not material.

Changes of assumptions – The following changes in actuarial assumptions were made effective June 30, 2013 based on the most recent experience study of the System for the four-year period ending June 30, 2012:

Largest 10 – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

Largest 10 – LEOS:
- Update mortality table
- Decrease in male rates of disability

All Others (Non 10 Largest) – Non-LEOS:
- Update mortality table
- Decrease in rates of service retirement
- Decrease in rates of disability retirement
- Reduce rates of salary increase by 0.25% per year

All Others (Non 10 Largest) – LEOS:
- Update mortality table
- Adjustments to rates of service retirement for females
- Increase in rates of withdrawal
- Decrease in male and female rates of disability

OTHER SUPPLEMENTARY INFORMATION

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Exhibit 15

City of Williamsburg, Virginia
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2016

	Virginia Public Assistance Fund	Law Enforcement Block Grant Fund	Total
ASSETS			
Cash and cash equivalents	$ 601,283	$ 12,379	$ 613,662
Due from other governmental units	107,060	-	107,060
Total assets	$ 708,343	$ 12,379	$ 720,722
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 104,985	$ 2,232	$ 107,217
Due to other funds	23,636	-	23,636
Unearned revenue	65,568	-	65,568
Total liabilities	$ 194,189	$ 2,232	$ 196,421
Fund balances:			
Restricted	$ 514,154	$ 10,147	$ 524,301
Total fund balances	$ 514,154	$ 10,147	$ 524,301
Total liabilities and fund balances	$ 708,343	$ 12,379	$ 720,722

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Exhibit 16

City of Williamsburg, Virginia
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2016

	Virginia Public Assistance Fund	Law Enforcement Block Grant Fund	Total
REVENUES			
Revenue from the use of money and property	$ -	$ 8	$ 8
Miscellaneous	38,467	224	38,691
Intergovernmental:			
Commonwealth	381,439	-	381,439
Federal	756,968	2,020	758,988
Total revenues	$ 1,176,874	$ 2,252	$ 1,179,126
EXPENDITURES			
Current:			
Public safety	$ -	$ 4,593	$ 4,593
Health and welfare	2,024,491	-	2,024,491
Total expenditures	$ 2,024,491	$ 4,593	$ 2,029,084
Excess (deficiency) of revenues over (under) expenditures	$ (847,617)	$ (2,341)	$ (849,958)
OTHER FINANCING SOURCES (USES)			
Transfers in	$ 945,548	$ -	$ 945,548
Total other financing sources (uses)	$ 945,548	$ -	$ 945,548
Net change in fund balances	$ 97,931	$ (2,341)	$ 95,590
Fund balances - beginning	416,223	12,488	428,711
Fund balances - ending	$ 514,154	$ 10,147	$ 524,301

City of Williamsburg, Virginia
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Nonmajor Special Revenue Funds
For the Year Ended June 30, 2016

	Virginia Public Assistance Fund			
	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Revenue from the use of money and property	$ -	$ -	$ -	$ -
Miscellaneous	-	-	38,467	38,467
Intergovernmental:				
Commonwealth	567,370	567,370	381,439	(185,931)
Federal	610,547	610,547	756,968	146,421
Total revenues	$ 1,177,917	$ 1,177,917	$ 1,176,874	$ (1,043)
EXPENDITURES				
Current:				
Public safety	$ -	$ -	$ -	$ -
Health and welfare	2,105,675	2,105,675	2,024,491	81,184
Total expenditures	$ 2,105,675	$ 2,105,675	$ 2,024,491	$ 81,184
Excess (deficiency) of revenues over (under) expenditures	$ (927,758)	$ (927,758)	$ (847,617)	$ 80,141
OTHER FINANCING SOURCES (USES)				
Transfers in	$ 927,758	$ 927,758	$ 945,548	$ 17,790
Total other financing sources (uses)	$ 927,758	$ 927,758	$ 945,548	$ 17,790
Net change in fund balances	$ -	$ -	$ 97,931	$ 97,931
Fund balances - beginning	-	-	416,223	416,223
Fund balances - ending	$ -	$ -	$ 514,154	$ 514,154

Exhibit 17

Law Enforcement Block Grant Fund			
Budgeted Amounts			Variance with Final Budget Positive
Original	Final	Actual	(Negative)
$ -	$ -	$ 8	$ 8
-	224	224	-
-	-	-	-
-	6,020	2,020	(4,000)
$ -	$ 6,244	$ 2,252	$ (3,992)
$ -	$ 6,244	$ 4,593	$ 1,651
-	-	-	-
$ -	$ 6,244	$ 4,593	$ 1,651
$ -	$ -	$ (2,341)	$ (2,341)
$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -
$ -	$ -	$ (2,341)	$ (2,341)
-	-	12,488	12,488
$ -	$ -	$ 10,147	$ 10,147

Exhibit 18

City of Williamsburg, Virginia
Combining Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Agency Funds				
	Williamsburg Regional Library Fund	Williamsburg Tricentennial Fund	Economic Development Authority	Farmers Market Fund	Total
ASSETS					
Cash and cash equivalents	$ 1,139,138	$ -	$ 151,233	$ 36,640	$ 1,327,011
Investments, at fair value:					
Other investments	1,179,331	6,561	119,562	157,393	1,462,847
Other assets	28,902	-	900	-	29,802
Total assets	$ 2,347,371	$ 6,561	$ 271,695	$ 194,033	$ 2,819,660
LIABILITIES					
Accounts payable	$ 63,657	$ -	$ 17,812	$ 1,292	$ 82,761
Accrued liabilities	57,797	-	-	-	57,797
Amounts held for others	2,225,917	6,561	253,883	192,741	2,679,102
Total liabilities	$ 2,347,371	$ 6,561	$ 271,695	$ 194,033	$ 2,819,660

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2016

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Williamsburg Regional Library Fund:				
ASSETS				
Cash and cash equivalents	$ 929,290	$ 6,822,158	$ 6,612,310	$ 1,139,138
Investments, at fair value:				
Other investments	1,175,535	3,796	-	1,179,331
Other assets	12,474	28,902	12,474	28,902
Total assets	$ 2,117,299	$ 6,854,856	$ 6,624,784	$ 2,347,371
LIABILITIES				
Accounts payable	$ 121,252	$ 63,657	$ 121,252	$ 63,657
Accrued liabilities	51,470	57,797	51,470	57,797
Due to other governmental units	-	-	-	-
Amounts held for others	1,944,577	6,733,402	6,452,062	2,225,917
Total liabilities	$ 2,117,299	$ 6,854,856	$ 6,624,784	$ 2,347,371
Williamsburg Tricentennial Fund:				
ASSETS				
Investments, at fair value:				
Other investments	$ 6,541	$ 20	$ -	$ 6,561
Total assets	$ 6,541	$ 20	$ -	$ 6,561
LIABILITIES				
Amounts held for others	$ 6,541	$ 20	$ -	$ 6,561
Total liabilities	$ 6,541	$ 20	$ -	$ 6,561
Quarterpath CDA Fund:				
ASSETS				
Cash and cash equivalents	$ -	$ 425,560	$ 425,560	$ -
Total assets	$ -	$ 425,560	$ 425,560	$ -
LIABILITIES				
Amounts held for others	$ -	425,560	425,560	$ -
Total liabilities	$ -	$ 425,560	$ 425,560	$ -

City of Williamsburg, Virginia
Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2016

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
Economic Development Authority:				
ASSETS				
Cash and cash equivalents	$ 192,016	$ 46,547	$ 87,330	$ 151,233
Investments, at fair value:				
Other investments	119,197	365	-	119,562
Other assets	-	900	-	900
Total assets	$ 311,213	$ 47,812	$ 87,330	$ 271,695
LIABILITIES				
Accounts payable	$ 18,678	$ 17,812	$ 18,678	$ 17,812
Amounts held for others	292,535	30,000	68,652	253,883
Total liabilities	$ 311,213	$ 47,812	$ 87,330	$ 271,695
Farmers Market Fund:				
ASSETS				
Cash and cash equivalents	$ 118,510	$ 193,781	$ 275,651	$ 36,640
Investments, at fair value:				
Other investments	56,952	100,441	-	157,393
Total assets	$ 175,462	$ 294,222	$ 275,651	$ 194,033
LIABILITIES				
Accounts payable	$ 664	$ 1,292	$ 664	$ 1,292
Amounts held for others	174,798	292,930	274,987	192,741
Total liabilities	$ 175,462	$ 294,222	$ 275,651	$ 194,033
Totals - All Agency Funds:				
ASSETS				
Cash and cash equivalents	$ 1,239,816	$ 7,488,046	$ 7,400,851	$ 1,327,011
Investments, at fair value:				
Other investments	1,358,225	104,622	-	1,462,847
Other assets	12,474	29,802	12,474	29,802
Total assets	$ 2,610,515	$ 7,622,470	$ 7,413,325	$ 2,819,660
LIABILITIES				
Accounts payable	$ 140,594	$ 82,761	$ 140,594	$ 82,761
Accrued liabilities	51,470	57,797	51,470	57,797
Due to other governmental units	-	-	-	-
Amounts held for others	2,418,451	7,481,912	7,221,261	2,679,102
Total liabilities	$ 2,610,515	$ 7,622,470	$ 7,413,325	$ 2,819,660

SUPPORTING SCHEDULES

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City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
Revenue from local sources:				
General property taxes:				
Real property taxes	$ 10,164,000	$ 10,164,000	$ 10,202,762	$ 38,762
Real and personal public service corporation taxes	310,340	310,340	311,666	1,326
Personal property taxes	692,980	692,980	743,696	50,716
Business property taxes	1,288,448	1,288,448	1,257,334	(31,114)
Penalties	57,000	57,000	59,761	2,761
Interest	30,000	30,000	24,078	(5,922)
Total general property taxes	$ 12,542,768	$ 12,542,768	$ 12,599,297	$ 56,529
Other local taxes:				
Local sales and use taxes	$ 4,300,000	$ 4,300,000	$ 4,298,743	$ (1,257)
Consumers' utility taxes	305,000	305,000	308,493	3,493
Business license taxes	1,673,000	1,673,000	1,790,395	117,395
Franchise license taxes	127,000	127,000	114,402	(12,598)
Bank stock taxes	270,000	270,000	351,453	81,453
Taxes on recordation and wills	200,000	200,000	196,420	(3,580)
Hotel and motel taxes	3,160,000	3,160,000	3,319,625	159,625
Restaurant food taxes	6,750,000	6,750,000	7,022,994	272,994
$2 lodging taxes	1,122,000	1,122,000	1,130,176	8,176
Tobacco taxes	150,000	150,000	134,640	(15,360)
Penalty and interest on other local taxes	35,800	35,800	34,498	(1,302)
Total other local taxes	$ 18,092,800	$ 18,092,800	$ 18,701,839	$ 609,039
Permits, privilege fees, and regulatory licenses:				
Animal licenses	$ 2,000	$ 2,000	$ 2,268	$ 268
Land use application fees	1,200	1,200	1,719	519
Transfer fees	500	500	2,903	2,403
Permits and other licenses	152,990	152,990	222,595	69,605
Total permits, privilege fees, and regulatory licenses	$ 156,690	$ 156,690	$ 229,485	$ 72,795
Fines and forfeitures:				
Court fines and forfeitures	$ 207,200	$ 207,200	$ 155,032	$ (52,168)
Revenue from use of money and property:				
Revenue from use of money	$ 110,000	$ 110,000	$ 141,337	$ 31,337
Revenue from use of property	694,150	694,150	746,726	52,576
Total revenue from use of money and property	$ 804,150	$ 804,150	$ 888,063	$ 83,913

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Revenue from local sources: (Continued)				
Charges for services:				
Charges for law enforcement and traffic control	$ 1,350	$ 1,350	$ 1,366	$ 16
Charges for courthouse maintenance	150,000	150,000	160,140	10,140
Charges for emergency medical services	595,000	595,000	705,658	110,658
Charges for Commonwealth's Attorney	250	250	819	569
Charges for planning and community development	36,600	36,600	53,734	17,134
Charges for parks and recreation	356,850	356,850	342,613	(14,237)
Total charges for services	$ 1,140,050	$ 1,140,050	$ 1,264,330	$ 124,280
Miscellaneous:				
Miscellaneous	$ 148,681	$ 158,588	$ 223,448	$ 64,860
Williamsburg Health Foundation Grant	260,000	260,000	155,015	(104,985)
Total miscellaneous	$ 408,681	$ 418,588	$ 378,463	$ (40,125)
Recovered costs:				
Enterprise fund	$ 640,000	$ 640,000	$ 641,312	$ 1,312
Overtime - police and fire	100,000	100,075	85,235	(14,840)
Stryker Building recovered cost	166,666	166,666	166,666	-
Other recovered costs	70,000	70,000	65,000	(5,000)
Total recovered costs	$ 976,666	$ 976,741	$ 958,213	$ (18,528)
Total revenue from local sources	$ 34,329,005	$ 34,338,987	$ 35,174,722	$ 835,735
Intergovernmental:				
Revenue from the Commonwealth:				
Noncategorical aid:				
Rolling stock tax	$ 9,000	$ 9,000	$ 10,088	$ 1,088
Motor vehicle rental tax	25,000	25,000	33,450	8,450
Grantors tax	50,000	50,000	54,712	4,712
Communications tax	730,000	730,000	695,515	(34,485)
Personal property tax relief funds	773,572	773,572	773,572	-
Total noncategorical aid	$ 1,587,572	$ 1,587,572	$ 1,567,337	$ (20,235)
Categorical aid:				
Shared expenses:				
Commissioner of revenue	$ 72,000	$ 72,000	$ 73,840	$ 1,840
Treasurer	18,000	18,000	18,467	467
Registrar/electoral board	35,000	35,000	41,109	6,109
Total shared expenses	$ 125,000	$ 125,000	$ 133,416	$ 8,416
Other categorical aid:				
599 Funds	$ 373,313	$ 373,313	$ 373,312	$ (1)
Streets and sidewalks	1,652,828	1,652,828	1,719,115	66,287
EMS funds - 4 for life and emergency services	14,000	14,000	20,470	6,470
Litter control grant	5,000	5,000	6,427	1,427

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Intergovernmental: (Continued)				
Revenue from the Commonwealth: (Continued)				
Categorical aid: (Continued)				
Other categorical aid: (Continued)				
Fire programs	$ 35,000	$ 35,000	$ 44,587	$ 9,587
Rescue squad assistance grant	-	-	18,524	18,524
Miscellaneous grant	-	-	1,995	1,995
State sales tax	1,083,517	1,083,517	1,093,871	10,354
VDOT state construction	1,624,100	2,390,283	1,257,913	(1,132,370)
VRA demolition grant	-	-	100,000	100,000
Emergency services grant	25,000	25,000	30,000	5,000
Total other categorical aid	$ 4,812,758	$ 5,578,941	$ 4,666,214	$ (912,727)
Total categorical aid	$ 4,937,758	$ 5,703,941	$ 4,799,630	$ (904,311)
Total revenue from the Commonwealth	$ 6,525,330	$ 7,291,513	$ 6,366,967	$ (924,546)
Revenue from the Federal government:				
Categorical aid:				
Transportation safety grant		$ 11,960	$ 15,560	$ 3,600
Total categorical aid	$ -	$ 11,960	$ 15,560	$ 3,600
Total revenue from the federal government	$ -	$ 11,960	$ 15,560	$ 3,600
Total General Fund	$ 40,854,335	$ 41,642,460	$ 41,557,249	$ (85,211)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Revenue from local sources:				
Miscellaneous:				
Other miscellaneous	$ -	$ -	$ 3,887	$ 3,887
Summer youth program	-	-	34,580	34,580
Total miscellaneous	$ -	$ -	$ 38,467	$ 38,467
Total revenue from local sources	$ -	$ -	$ 38,467	$ 38,467
Intergovernmental:				
Revenue from the Commonwealth:				
Categorical aid:				
Public assistance and welfare administration	$ 441,115	$ 441,115	$ 324,826	$ (116,289)
Comprehensive services act	126,255	126,255	56,613	(69,642)
Total categorical aid	$ 567,370	$ 567,370	$ 381,439	$ (185,931)
Total revenue from the Commonwealth	$ 567,370	$ 567,370	$ 381,439	$ (185,931)
Revenue from the federal government:				
Categorical aid:				
Public assistance and welfare administration	$ 571,008	$ 571,008	$ 709,118	$ 138,110
Homeland security grant	39,539	39,539	47,850	8,311
Total categorical aid	$ 610,547	$ 610,547	$ 756,968	$ 146,421
Total revenue from the federal government	$ 610,547	$ 610,547	$ 756,968	$ 146,421
Total Virginia Public Assistance Fund	$ 1,177,917	$ 1,177,917	$ 1,176,874	$ (1,043)

City of Williamsburg, Virginia
Schedule of Revenues - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Fund, Major and Minor Revenue Source	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds: (Continued)				
Law Enforcement Block Grant Fund:				
Revenue from local sources:				
Revenue from use of money and property:				
Revenue from the use of money	$ -	$ -	$ 8	$ 8
Total revenue from use of money and property	$ -	$ -	$ 8	$ 8
Miscellaneous:				
Other miscellaneous	$ -	$ 224	$ 224	$ -
Total miscellaneous	$ -	$ 224	$ 224	$ -
Total revenue from local sources	$ -	$ 224	$ 232	$ 8
Intergovernmental:				
Revenue from the federal government:				
Categorical aid:				
Local law enforcement block grant	$ -	$ 6,020	$ 2,020	$ (4,000)
Total categorical aid	$ -	$ 6,020	$ 2,020	$ (4,000)
Total revenue from the federal government	$ -	$ 6,020	$ 2,020	$ (4,000)
Total Law Enforcement Block Grant Fund	$ -	$ 6,244	$ 2,252	$ (3,992)
Total Primary Government	$ 42,032,252	$ 42,826,621	$ 42,736,375	$ (90,246)

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund:				
General government administration:				
Legislative:				
City council	$ 136,688	$ 138,688	$ 123,631	$ 15,057
Clerk of council	153,120	153,119	118,529	34,590
Total legislative	$ 289,808	$ 291,807	$ 242,160	$ 49,647
General and financial administration:				
City manager	$ 557,202	$ 544,791	$ 459,647	$ 85,144
City attorney	279,836	284,837	279,198	5,639
Human resources	104,102	112,401	112,294	107
Commissioner of revenue	212,968	214,268	214,222	46
Assessor	181,425	181,725	181,452	273
Treasurer	61,058	62,258	59,521	2,737
Director of finance	758,071	767,472	757,831	9,641
Information technology	680,033	689,034	687,431	1,603
Automotive/motor pool	246,933	246,933	192,740	54,193
Other general and financial administration	349,000	218,674	145,003	73,671
Total general and financial administration	$ 3,430,628	$ 3,322,393	$ 3,089,339	$ 233,054
Board of elections:				
Electoral board and officials	$ 24,133	$ 24,133	$ 35,171	$ (11,038)
Registrar	101,968	124,381	109,072	15,309
Total board of elections	$ 126,101	$ 148,514	$ 144,243	$ 4,271
Total general government administration	$ 3,846,537	$ 3,762,714	$ 3,475,742	$ 286,972
Judicial administration:				
Courts:				
Courthouse activities	$ 420,000	$ 420,000	$ 365,281	$ 54,719
Public safety:				
Law enforcement and traffic control:				
Police department	$ 3,891,682	$ 3,907,642	$ 3,834,157	$ 73,485
Prince George parking garage	142,994	144,995	121,868	23,127
E-911	555,008	555,008	555,008	-
Total law enforcement and traffic control	$ 4,589,684	$ 4,607,645	$ 4,511,033	$ 96,612
Fire and rescue services:				
Fire department	$ 3,856,209	$ 3,876,285	$ 3,734,705	$ 141,580
Correction and detention:				
Juvenile detention commission	$ 100,000	$ 100,000	$ 78,031	$ 21,969
Regional jail	1,156,822	1,156,822	1,195,375	(38,553)
Group home commission	85,791	85,791	85,791	-
Total correction and detention	$ 1,342,613	$ 1,342,613	$ 1,359,197	$ (16,584)

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Public safety: (Continued)				
Inspections:				
Building	$ 419,441	$ 425,641	$ 414,842	$ 10,799
Other protection:				
Animal control	$ 18,900	$ 18,900	$ 18,900	$ -
Medical examiner	100	100	100	-
Total other protection	$ 19,000	$ 19,000	$ 19,000	$ -
Total public safety	$ 10,226,947	$ 10,271,184	$ 10,038,777	$ 232,407
Public works:				
Maintenance of highways, streets, bridges and sidewalks:				
Highways, streets, bridges and sidewalks	$ 828,709	$ 828,708	$ 823,218	$ 5,490
Engineering	266,272	269,670	265,203	4,467
Stormwater operations	216,383	219,283	198,146	21,137
Total maintenance of highways, streets, bridges and sidewalks	$ 1,311,364	$ 1,317,661	$ 1,286,567	$ 31,094
Sanitation and waste removal:				
Refuse collection	$ 469,750	$ 469,750	$ 457,811	$ 11,939
Maintenance of general buildings and grounds:				
Maintenance of general buildings and grounds	$ 469,753	$ 472,453	$ 460,917	$ 11,536
Landscaping	575,393	579,119	581,110	(1,991)
Total maintenance of general buildings and grounds	$ 1,045,146	$ 1,051,572	$ 1,042,027	$ 9,545
Total public works	$ 2,826,260	$ 2,838,983	$ 2,786,405	$ 52,578
Health and welfare:				
Health:				
Local health department	$ 180,495	$ 180,495	$ 183,399	$ (2,904)
Mental health and mental retardation:				
Administration - mental health and retardation	$ 255,000	$ 255,000	$ 255,000	$ -

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
General Fund: (Continued)				
Health and welfare: (Continued)				
Welfare:				
Public assistance	$ 35,000	$ 35,000	$ 35,000	$ -
Transportation programs for elderly	2,700	2,700	2,088	612
Total welfare	$ 37,700	$ 37,700	$ 37,088	$ 612
Total health and welfare	$ 473,195	$ 473,195	$ 475,487	$ (2,292)
Education:				
Other instructional costs:				
Contribution to local school board	$ 8,715,910	$ 8,715,910	$ 8,388,204	$ 327,706
Parks, recreation, and cultural:				
Parks and recreation:				
Supervision of parks and recreation	$ 455,917	$ 455,916	$ 354,019	$ 101,897
Waller Mill park facility	246,276	247,275	224,506	22,769
Recreation facility programs	547,289	547,289	474,762	72,527
Cemeteries	67,500	68,701	67,517	1,184
Total parks and recreation	$ 1,316,982	$ 1,319,181	$ 1,120,804	$ 198,377
Library:				
Contribution to regional library	$ 843,151	$ 842,160	$ 842,160	$ -
Total parks, recreation, and cultural	$ 2,160,133	$ 2,161,341	$ 1,962,964	$ 198,377
Community development:				
Planning and community development:				
Planning	$ 529,311	$ 551,910	$ 518,589	$ 33,321
Community development	3,831,261	3,831,261	3,839,158	(7,897)
Triangle building management	42,000	42,000	38,723	3,277
Economic development	347,389	348,490	328,638	19,852
Other community development	34,093	51,810	51,810	-
Total planning and community development	$ 4,784,054	$ 4,825,471	$ 4,776,918	$ 48,553
Total community development	$ 4,784,054	$ 4,825,471	$ 4,776,918	$ 48,553
Capital projects:				
Other capital projects	$ 10,518,094	$ 18,834,117	$ 9,958,807	$ 8,875,310
Debt service:				
Principal retirement	$ 1,006,410	$ 1,006,410	$ 1,006,410	$ -
Interest and other fiscal charges	232,780	232,780	232,780	-
Total debt service	$ 1,239,190	$ 1,239,190	$ 1,239,190	$ -
Total General Fund	$ 45,210,320	$ 53,542,105	$ 43,467,775	$ 10,074,330

City of Williamsburg, Virginia
Schedule of Expenditures - Budget and Actual
Governmental Funds
For the Year Ended June 30, 2016

Fund, Function, Activity and Elements	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Special Revenue Funds:				
Virginia Public Assistance Fund:				
Health and welfare:				
Welfare and social services:				
Welfare administration	$ 469,196	$ 469,196	$ 390,704	$ 78,492
Public assistance	1,404,690	1,404,690	1,456,512	(51,822)
Comprehensive services	231,789	231,789	177,275	54,514
Total welfare and social services	$ 2,105,675	$ 2,105,675	$ 2,024,491	$ 81,184
Total health and welfare	$ 2,105,675	$ 2,105,675	$ 2,024,491	$ 81,184
Total Virginia Public Assistance Fund	$ 2,105,675	$ 2,105,675	$ 2,024,491	$ 81,184
Law Enforcement Block Grant Fund:				
Public safety:				
Other protection:				
Other protection	$ -	$ 6,244	$ 4,593	$ 1,651
Total Law Enforcement Block Grant Fund	$ -	$ 6,244	$ 4,593	$ 1,651
Total Primary Government	$ 47,315,995	$ 55,654,024	$ 45,496,859	$ 10,157,165

STATISTICAL SECTION

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Statistical Section

Contents	Tables
Financial Trends These tables contain trend information to help the reader understand how the the City's financial performance and well-being have changed over time.	1 - 4
Revenue Capacity These tables contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.	5 - 9
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.	10 - 12
Demographic and Economic Information These tables offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.	13-14
Operating Information These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.	15-17

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial reports for the relevant year.

City of Williamsburg, Virginia
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	2007	2008	2009	2010
Governmental activities				
Net investment in capital assets	$ 49,783,173	$ 55,591,451	$ 58,769,012	$ 59,868,232
Unrestricted	29,632,342	28,455,299	25,864,437	25,744,448
Total governmental activities net assets	$ 79,415,515	$ 84,046,750	$ 84,633,449	$ 85,612,680
Business-type activities				
Net investment in capital assets	$ 12,764,785	$ 13,102,740	$ 15,601,976	$ 15,748,286
Unrestricted	5,466,158	6,466,848	4,960,402	4,483,874
Total business-type activities net assets	$ 18,230,943	$ 19,569,588	$ 20,562,378	$ 20,232,160
Primary government				
Net investment in capital assets	$ 62,547,958	$ 68,694,191	$ 74,370,988	$ 75,616,518
Unrestricted	35,098,500	34,922,147	30,824,839	30,228,322
Total primary government net assets	$ 97,646,458	$ 103,616,338	$ 105,195,827	$ 105,844,840

Table 1

2011	2012	2013	2014	2015	2016
$ 61,799,859	$ 60,919,382	$ 62,277,812	$ 61,470,986	$ 58,427,633	$ 64,690,552
26,187,098	27,808,616	30,324,199	31,727,986	24,496,187	22,521,523
$ 87,986,957	$ 88,727,998	$ 92,602,011	$ 93,198,972	$ 82,923,820	$ 87,212,075
$ 16,771,608	$ 17,403,766	$ 17,888,271	$ 17,806,425	$ 17,981,499	$ 18,084,285
5,067,039	4,473,289	4,198,379	4,537,882	3,143,100	4,202,535
$ 21,838,647	$ 21,877,055	$ 22,086,650	$ 22,344,307	$ 21,124,599	$ 22,286,820
$ 78,571,467	$ 78,323,148	$ 80,166,083	$ 79,277,411	$ 76,409,132	$ 82,774,837
31,254,137	32,281,905	34,522,578	36,265,868	27,639,287	26,724,058
$ 109,825,604	$ 110,605,053	$ 114,688,661	$ 115,543,279	$ 104,048,419	$ 109,498,895

City of Williamsburg, Virginia
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government administration	$ 3,556,882	$ 3,925,496	$ 4,206,889	$ 4,350,670
Judicial administration	379,945	369,459	373,159	524,247
Public safety	8,840,146	9,410,409	9,626,052	9,200,629
Public works	7,196,599	4,504,611	4,493,041	3,314,209
Health and welfare	2,176,382	2,415,272	2,335,735	2,319,951
Education	7,044,990	8,446,319	7,913,290	8,439,060
Parks, recreation and cultural	2,170,492	2,275,707	2,535,481	2,362,491
Community development	5,328,651	5,694,235	5,091,394	4,788,236
Interest expense	551,307	467,896	408,129	303,123
Total governmental activities expenses	$ 37,245,394	$ 37,509,404	$ 36,983,170	$ 35,602,616
Business-type activities				
Water and sewer services	$ 4,569,446	$ 4,769,797	$ 4,862,433	$ 6,025,427
Total business-type activities expenses	4,569,446	4,769,797	4,862,433	6,025,427
Total primary government expenses	$ 41,814,840	$ 42,279,201	$ 41,845,603	$ 41,628,043
Program Revenues (see Schedule 3)				
Governmental activities:				
Charges for services:				
General government administration	$ -	$ -	$ 4,760	$ -
Judicial administration	155,924	140,559	147,160	108,161
Public safety	328,194	479,255	295,207	260,751
Public works	-	-	-	-
Parks, recreation and cultural	338,754	298,453	317,573	350,497
Community development	36,073	43,750	42,198	97,881
Operating grants and contributions	4,161,505	3,999,026	4,008,035	4,314,763
Capital grants and contributions	266,087	464,435	133,363	-
Total governmental activities program revenues	$ 5,286,537	$ 5,425,478	$ 4,948,296	$ 5,132,053
Business-type activities:				
Charges for services:				
Water and sewer	$ 4,493,958	$ 5,751,177	$ 5,575,174	$ 5,398,525
Total business-type activities program revenues	4,493,958	5,751,177	5,575,174	5,398,525
Total primary government program revenues	$ 9,780,495	$ 11,176,655	$ 10,523,470	$ 10,530,578

2011	2012	2013	2014	2015	2016
$ 3,563,461	$ 4,067,673	$ 4,252,911	$ 4,070,451	$ 3,998,879	$ 4,072,768
405,416	375,239	501,565	439,441	459,778	525,421
9,275,831	9,638,966	9,671,016	10,122,867	9,777,938	10,290,497
4,750,649	4,505,943	4,142,471	4,526,929	5,056,076	3,721,977
2,245,513	2,414,154	2,251,382	2,309,325	2,208,356	2,452,903
7,736,481	7,756,817	8,205,970	9,170,571	9,132,615	8,929,127
2,314,517	2,424,850	2,430,750	2,399,212	2,455,296	2,285,504
4,482,731	4,418,902	4,512,839	4,684,339	4,666,769	5,055,084
284,738	472,343	122,847	175,563	207,260	185,452
$ 35,059,337	$ 36,074,887	$ 36,091,751	$ 37,898,698	$ 37,962,967	$ 37,518,733
$ 6,046,002	$ 5,935,670	$ 6,019,724	$ 6,042,928	$ 6,827,214	$ 6,202,622
6,046,002	5,935,670	6,019,724	6,042,928	6,827,214	6,202,622
$ 41,105,339	$ 42,010,557	$ 42,111,475	$ 43,941,626	$ 44,790,181	$ 43,721,355
$ -	$ -	$ -	$ -	$ -	$ -
222,572	259,700	331,835	242,359	256,600	315,991
155,522	183,113	578,682	673,805	695,048	936,509
-	-	-	3,500	14,960	-
390,220	401,398	419,959	361,824	341,745	342,613
43,742	42,702	-	38,667	43,300	53,734
4,715,846	4,414,469	4,062,259	4,888,993	4,934,029	4,597,704
-	21,777	2,322,693	-	-	1,357,913
$ 5,527,902	$ 5,323,159	$ 7,715,428	$ 6,209,148	$ 6,285,682	$ 7,604,464
$ 7,496,603	$ 5,783,098	$ 6,024,722	$ 6,102,936	$ 6,932,559	$ 7,061,086
7,496,603	5,783,098	6,024,722	6,102,936	6,932,559	7,061,086
$ 13,024,505	$ 11,106,257	$ 13,740,150	$ 12,312,084	$ 13,218,241	$ 14,665,550

City of Williamsburg, Virginia
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	2007	2008	2009	2010
Net (Expense)/Revenue				
Governmental activities	$ (31,958,857)	$ (32,083,926)	$ (32,034,874)	$ (30,470,563)
Business-type activities	(75,488)	981,380	712,741	(626,902)
Total primary government net expense	$ (32,034,345)	$ (31,102,546)	$ (31,322,133)	$ (31,097,465)
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
General property taxes	$ 9,281,349	$ 10,576,818	$ 11,190,551	$ 11,247,772
Sales taxes	4,867,792	4,562,028	3,844,275	3,885,065
Business property taxes	1,130,964	1,210,744	1,307,209	1,276,328
Consumer utility taxes	700,691	1,107,790	1,040,510	1,047,378
Business license taxes	1,593,478	1,754,093	1,595,535	1,571,483
Hotel and room taxes	4,350,871	4,447,662	3,574,810	3,248,789
$2 lodging taxes	1,672,720	1,625,774	1,347,470	1,277,760
Meals taxes	5,851,680	6,005,227	5,522,541	5,607,318
Other local taxes	1,096,618	800,542	576,653	609,055
Use of Money & Property	2,156,025	1,765,800	930,037	730,861
Gain on sale of capital assets	1,348,618	-	-	887,684
Grants and contributions not restricted to specific programs	879,936	899,609	820,341	812,215
Miscellaneous	600,434	1,959,074	871,641	886,798
Transfers	-	-	-	-
Total governmental activities	$ 35,531,176	$ 36,715,161	$ 32,621,573	$ 33,088,506
Business-type activities:				
Investment earnings	$ 253,915	$ 209,655	$ 97,165	$ 26,248
Gain on sale of capital assets	2,677,383	-	-	-
Miscellaneous	139,314	147,610	182,884	270,436
Total business-type activies	$ 3,070,612	$ 357,265	$ 280,049	$ 296,684
Total primary government	$ 38,601,788	$ 37,072,426	$ 32,901,622	$ 33,385,190
Change in Net Position				
Governmental activities	$ 3,572,319	$ 4,631,235	$ 586,699	$ 2,557,943
Business-type activities	2,995,124	1,338,645	992,790	(330,218)
Total primary government	$ 6,567,443	$ 5,969,880	$ 1,579,489	$ 2,227,725

2011	2012	2013	2014	2015	2016
$ (29,531,435)	$ (30,751,728)	$ (28,376,323)	$ (31,689,550)	$ (31,677,285)	$ (29,914,269)
1,450,601	(152,572)	4,998	60,008	105,345	858,464
$ (28,080,834)	$ (30,904,300)	$ (28,371,325)	$ (31,629,542)	$ (31,571,940)	$ (29,055,805)
$ 10,745,485	$ 10,367,460	$ 10,494,240	$ 10,613,393	$ 11,050,728	$ 12,628,123
3,963,454	4,161,131	4,494,328	4,239,957	4,352,601	4,298,743
1,329,808	1,304,252	1,096,833	1,326,998	1,213,731	
300,969	295,788	306,596	309,602	308,027	308,493
1,497,159	1,598,958	1,646,691	1,630,018	1,685,718	1,790,395
3,384,922	3,396,446	3,369,785	3,129,262	3,220,638	3,319,625
1,299,244	1,264,046	1,222,448	1,130,804	1,122,632	1,130,176
5,989,446	6,277,434	6,391,022	6,446,505	6,819,384	7,022,994
640,363	655,754	821,634	762,296	884,244	831,413
624,386	647,887	775,355	756,800	794,410	888,071
-	-	-	-	-	-
1,463,933	1,491,961	1,540,889	1,587,926	1,605,883	1,567,337
666,543	720,497	216,620	352,950	246,268	417,154
-	-	-	-	-	-
$ 31,905,712	$ 32,181,614	$ 32,376,441	$ 32,286,511	$ 33,304,264	$ 34,202,524
$ 8,536	$ 29,772	$ 29,914	$ 28,330	$ 28,353	$ 29,570
-	-	-	-	-	-
147,350	161,208	174,683	169,319	193,023	274,187
$ 155,886	$ 190,980	$ 204,597	$ 197,649	$ 221,376	$ 303,757
$ 32,061,598	$ 32,372,594	$ 32,581,038	$ 32,484,160	$ 33,525,640	$ 34,506,281
$ 2,374,277	$ 1,429,886	$ 4,000,118	$ 596,961	$ 1,626,979	$ 4,288,255
1,606,487	38,408	209,595	257,657	326,721	1,162,221
$ 3,980,764	$ 1,468,294	$ 4,209,713	$ 854,618	$ 1,953,700	$ 5,450,476

City of Williamsburg, Virginia
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2007	2008	2009	2010
General Fund				
Reserved	$ 548,702	$ 553,490	$ 124,011	$ 8,287
Unreserved	29,509,734	28,448,307	26,253,762	25,983,407
Nonspendable	-	-	-	
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	$ 30,058,436	$ 29,001,797	$ 26,377,773	$ 25,991,694
All Other Governmental Funds				
Reserved	$ -	$ -	$ -	$ -
Unreserved (Special Revenue funds)	207,354	182,825	250,939	337,593
Assigned (Special Revenue funds)	-	-	-	-
Total all other governmental funds	$ 207,354	$ 182,825	$ 250,939	$ 337,593

** City Council adopted GASB Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, in June 2011, which changed fund balance classifications.*

Table 3

2011 *	2012	2013	2014	2015	2016
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
13,326	1,178,530	1,179,522	1,178,480	1,918,709	1,919,711
-	-	-	4,820,655	1,748,630	-
3,591,208	1,375,060	18,037,302	19,317,000	20,318,269	18,818,825
22,875,543	25,288,755	11,426,473	11,707,336	11,991,519	12,382,517
$ 26,480,077	$ 27,842,345	$ 30,643,297	$ 37,023,471	$ 35,977,127	$ 33,121,053
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
399,209	365,844	275,829	300,711	428,711	524,301
$ 399,209	$ 365,844	$ 275,829	$ 300,711	$ 428,711	$ 524,301

City of Williamsburg, Virginia
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	2007	2008	2009	2010	2011
Revenues					
Taxes	$ 30,590,846	$ 32,147,392	$ 29,922,838	$ 29,602,186	$ 29,210,384
Licenses, fees, and permits	200,897	376,974	207,637	164,699	154,108
Fines and penalties	281,612	241,302	233,262	202,487	221,767
Use of money and property	1,600,647	1,765,800	930,037	730,861	624,377
Charges for services	376,435	343,741	347,740	390,104	436,181
Intergovernmental	5,288,477	6,759,594	4,971,107	4,930,242	6,179,779
Other revenues	3,590,840	1,322,551	1,683,536	1,929,868	1,343,191
Total revenues	$ 41,929,754	$ 42,957,354	$ 38,296,157	$ 37,950,447	$ 38,169,787
Expenditures					
General government	$ 2,615,827	$ 2,956,796	$ 3,247,353	$ 3,130,496	$ 3,341,506
Judicial	379,945	369,459	373,159	332,736	405,416
Police	4,034,064	4,246,050	4,273,913	3,916,856	3,876,496
Fire	3,064,526	3,257,746	3,293,365	2,983,054	3,108,601
Other public safety	1,617,564	1,561,167	1,686,790	1,670,784	1,744,010
Public works	3,847,395	3,579,302	4,185,312	3,404,437	2,877,077
Health and welfare	2,169,108	2,391,062	2,311,671	2,318,563	2,241,201
Education	6,493,421	7,135,650	7,023,314	6,923,146	6,991,174
Parks and recreation	1,284,977	1,392,614	1,387,111	1,272,611	1,205,651
Library	861,030	884,955	884,971	840,727	750,959
Community Development	5,348,425	5,662,525	5,070,823	4,760,075	4,469,891
Capital projects	12,492,119	7,809,941	5,699,783	6,181,634	5,206,675
Debt Service					
Principal	992,425	2,314,249	1,036,704	1,064,816	1,149,694
Interest	554,257	477,006	377,798	337,621	275,348
Total expenditures	$ 45,755,083	$ 44,038,522	$ 40,852,067	$ 39,137,556	$ 37,643,699
Excess of revenues over (under) expenditures	$ (3,825,329)	$ (1,081,168)	$ (2,555,910)	$ (1,187,109)	$ 526,088
Other Financing Sources (Uses)					
Bonds issued	$ -	$ -	$ -	$ -	$ -
Refunding bonds issued	-	-	-	-	1,398,911
Redemption of refunded bonds	-	-	-	-	(1,375,000)
Disposal of capital asset	-	-	-	-	-
Sale of capital assets	1,354,316	-	-	887,684	-
Total other financing sources (uses)	$ 1,354,316	$ -	$ -	$ 887,684	$ 23,911
Net change in fund balances	$ (2,471,013)	$ (1,081,168)	$ (2,555,910)	$ (299,425)	$ 549,999
Debt service as a percentage of noncapital expenditures	# 4.00%	7.34%	3.92%	4.01%	4.19%

Table 4

2012	2013	2014	2015	2016
$ 29,274,314	$ 29,786,811	$ 29,736,493	$ 30,628,000	$ 31,301,136
181,806	151,637	240,017	255,915	229,485
259,308	228,172	214,373	197,117	155,032
647,887	775,355	756,797	794,407	888,063
445,799	950,667	865,765	898,621	1,264,330
5,928,207	5,603,148	6,476,919	6,539,912	7,522,954
1,489,696	1,015,233	1,279,747	1,181,005	1,375,375
$ 38,227,017	$ 38,511,023	$ 39,570,111	$ 40,494,977	$ 42,736,375
$ 3,781,205	$ 3,509,833	$ 3,403,525	$ 3,493,522	$ 3,475,742
371,366	398,300	411,806	400,605	365,281
4,069,699	4,197,314	4,417,042	4,368,153	4,515,626
3,146,035	3,297,878	3,479,594	3,556,562	3,734,705
1,829,335	1,694,206	1,719,162	1,718,468	1,793,039
3,129,845	2,922,135	2,914,416	2,936,678	2,786,405
2,416,361	2,256,347	2,306,790	2,255,020	2,499,978
7,337,320	7,673,329	8,181,450	8,540,794	8,388,204
1,232,402	1,220,914	1,202,169	1,138,321	1,120,804
779,744	819,526	820,156	827,166	842,160
4,419,267	4,478,159	4,591,577	4,599,954	4,776,918
3,701,211	2,432,992	3,820,162	6,180,712	9,958,807
886,240	758,761	683,990	988,147	1,006,410
354,583	140,392	213,216	252,415	232,780
$ 37,454,613	$ 35,800,086	$ 38,165,055	$ 41,256,517	$ 45,496,859
$ 772,404	$ 2,710,937	$ 1,405,056	$ (761,540)	$ (2,760,484)
$ -	$ -	$ 5,000,000	$ -	$ -
5,481,048	-	-	-	-
(5,376,749)	-	-	-	-
-	-	-	(156,804)	-
-	-	-	-	-
$ 104,299	$ -	$ 5,000,000	$ (156,804)	$ -
$ 876,703	$ 2,710,937	$ 6,405,056	$ (918,344)	$ (2,760,484)
3.55%	2.82%	2.48%	3.33%	3.36%

City of Williamsburg, Virginia
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year	Property	1% Sales & Use	Consumer Utility	Business License	Franchise
2007	$ 11,233,048	$ 4,867,792	$ 1,074,296	$ 1,593,478	$ 171,746
2008	12,617,849	4,562,028	1,107,790	1,754,093	102,833
2009	13,194,616	3,844,275	1,040,510	1,595,535	108,020
2010	13,128,910	3,885,065	1,047,378	1,571,483	121,248
2011	12,908,398	3,963,454	1,049,808	1,497,160	111,020
2012	12,351,657	4,161,131	1,029,412	1,598,958	103,571
2013	12,307,879	4,494,328	1,042,165	1,646,691	104,682
2014	12,861,621	4,239,957	1,032,653	1,630,018	129,792
2015	13,008,328	4,352,601	1,024,760	1,685,718	123,048
2016	13,372,869	4,298,743	1,004,008	1,790,395	114,402

Table 5

Tobacco	Hotel & Motel	$2 Lodging	Restaurant	Other	Total
$ 172,872	$ 4,350,871	$ 1,672,720	$ 5,851,680	$ 550,141	$ 31,538,644
180,701	4,447,662	1,625,774	6,005,227	517,007	32,920,964
144,534	3,574,810	1,347,470	5,522,541	324,099	30,696,410
158,460	3,248,789	1,277,760	5,607,318	329,347	30,375,758
148,032	3,384,922	1,299,244	5,989,446	381,311	30,732,795
147,870	3,396,446	1,264,046	6,277,434	404,313	30,734,838
183,155	3,369,785	1,222,448	6,391,022	533,798	31,295,953
148,320	3,129,262	1,130,804	6,446,505	484,184	31,233,116
156,911	3,220,638	1,122,632	6,819,384	604,285	32,118,305
134,640	3,319,625	1,130,176	7,022,994	582,371	32,770,223

City of Williamsburg, Virginia **Table 6**

Assessed Value and Estimated Actual Value of Taxable Property

Last Ten Fiscal Years

	Real Property		Personal Property				
Fiscal Year	Residential Property	Commercial Property [1]	Motor Vehicles [2]	Other	Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate
2007	$ 1,021,043,000	$ 1,020,298,800	$ 36,612,408	$ 34,390,362	$ 493,690,200	$ 1,618,654,370	4.04
2008	1,139,635,400	1,196,545,300	35,958,080	36,179,761	532,941,500	1,875,377,041	4.04
2009	1,215,949,800	1,226,781,800	35,034,560	38,278,637	547,275,600	1,968,769,197	4.04
2010	1,202,447,900	1,246,006,000	35,605,695	39,204,545	555,882,100	1,967,382,040	4.04
2011	1,166,641,800	1,335,437,900	35,652,620	39,303,636	674,570,500	1,902,465,456	4.04
2012	1,134,906,200	1,373,260,600	36,082,270	39,746,802	772,009,200	1,811,986,672	4.04
2013	1,064,590,700	1,408,826,400	39,582,570	37,495,959	845,513,900	1,704,981,729	4.07
2014	1,083,446,200	1,522,534,200	40,845,200	38,241,433	918,768,400	1,766,298,633	4.07
2015	1,108,726,200	1,571,532,200	42,220,440	36,393,827	943,646,700	1,815,225,967	4.07
2016	1,168,895,100	1,581,516,100	43,377,030	37,405,286	964,234,400	1,866,959,116	4.07

Source: City of Williamsburg Assessor's Office, Commissioner of the Revenue

[1] Includes tax-exempt property.

[2] Motor vehicles are assessed at NADA average loan value as of January 1st each year

Note: Real property in the City of Williamsburg is reassessed every year. Code of Virginia § 58.1-3201 requires that annual assessments of real estate shall be made at 100 percent fair market value.

City of Williamsburg, Virginia **Table 7**
Direct Tax Rates
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Estate Tax[1]	Personal Property Tax[1]	Room Tax	Meal Tax	Retail Sales Tax [2]	Total Direct Tax Rate
2007	$0.54	$3.50	5%	5%	1%	$4.04
2008	$0.54	$3.50	5%	5%	1%	$4.04
2009	$0.54	$3.50	5%	5%	1%	$4.04
2010	$0.54	$3.50	5%	5%	1%	$4.04
2011	$0.54	$3.50	5%	5%	1%	$4.04
2012	$0.54	$3.50	5%	5%	1%	$4.04
2013	$0.57	$3.50	5%	5%	1%	$4.07
2014	$0.57	$3.50	5%	5%	1%	$4.07
2015	$0.57	$3.50	5%	5%	1%	$4.07
2016	$0.57	$3.50	5%	5%	1%	$4.07

[1] per $100 assessed value
[2] Collected by State, remitted monthly to City

The City of Williamsburg has no overlapping taxes.

City of Williamsburg, Virginia **Table 8**

Principal Real Estate Property Taxpayers

Current Year and Nine Years Ago

	2007			2016		
Taxpayers	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total City Taxable Assessed Value**
Colonial Williamsburg Foundation	$ 230,465,100	1	14.35%	$ 253,703,600	1	13.99%
Westgate Resorts, LTD	18,865,300	2	1.17%			
Williamsburg High Street	15,928,500	3	0.99%			
Bluegreen Vacations, Unlimited	15,564,700	4	0.97%	17,939,700	7	0.99%
Virginia Landmark Hotels LLC	15,408,900	5	0.96%			
Williamsburg Improvements, LLC	14,924,800	6	0.93%			
Riverside Healthcare Associates	10,867,800	7	0.68%			
Jin, Inc.	10,765,800	8	0.67%			
Medalist Properties 5 LLC	9,930,700	9	0.62%			
351 York Street LLC	8,821,500	10	0.55%			
Quarterpath Williamsburg LLC				44,310,900	2	2.44%
Riverside Healthcare Associates				31,977,600	3	1.76%
BRG Quarterpath LLC				24,487,400	4	1.35%
High Street Retail Phase I LLC				21,182,600	5	1.17%
Sterling Manor Apartments LLC				21,065,500	6	1.16%
SNL Quarterpath Associates LLC				14,614,900	8	0.81%
Westgate Resorts, LTD				14,479,200	9	0.80%
CGMT 2004-C2 Williamsburg				1,381,900	10	0.76%

City of Williamsburg, Virginia **Table 9**
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	$ 10,952,791	$ 10,732,585	97.99%	$ 212,670	$ 10,945,255	99.93%
2008	12,253,143	12,041,834	98.28%	197,690	12,239,524	99.89%
2009	12,809,891	12,635,773	98.64%	169,195	12,804,968	99.96%
2010	12,829,250	12,554,463	97.86%	252,656	12,807,119	99.83%
2011	12,471,576	12,218,215	97.97%	236,556	12,454,771	99.87%
2012	11,970,235	11,725,636	97.96%	215,882	11,941,518	99.76%
2013	11,948,865	11,687,094	97.81%	204,916	11,892,010	99.52%
2014	12,350,178	12,122,381	98.16%	161,100	12,283,481	99.46%
2015	12,634,887	12,409,075	98.21%	145,530	12,554,605	99.36%
2016	13,010,693	12,796,868	98.36%	n/a	12,796,868	98.36%

Source: City of Williamsburg Assessor's Office

Notes: Property in the City of Williamsburg is reassessed every year. Code of Virginia § 58.1-3201 requires that annual assessments of real estate shall be made at 100 percent fair market value. Estimated actual taxable value is calculated by dividing taxable assessed value by 100%
The set amount of receipts from the State's Personal Property Tax Relief Act may skew the collection rate, depending on the relief rate set by the City each year.

City of Williamsburg, Virginia **Table 10**

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years

	Governmental Activities		Business-type Activities			
Fiscal Year	**General Obligation Bonds**	**Notes Payable**	**General Obligation Bonds**	**Total Primary Government**	**Debt Per Capita**	**Debt as Percentage of Personal Income**
2007	$ 11,548,396	$ 1,300,000	$ 700,000	$ 12,248,396	$ 925	0.3%
2008	10,534,146	-	566,666	11,100,812	836	0.3%
2009	9,497,443	-	10,433,333	19,930,776	1,492	0.5%
2010	8,432,627	-	9,808,700	18,241,327	1,297	0.5%
2011	7,306,844	-	9,231,593	16,538,437	1,160	0.4%
2012	6,796,767	-	8,643,971	15,440,738	1,080	0.3%
2013	5,997,390	-	8,051,980	14,049,370	969	0.3%
2014	10,270,795	-	7,446,884	17,717,679	1,190	0.4%
2015	9,241,038	-	6,819,945	16,060,983	1,066	0.4%
2016	8,193,018	-	6,184,269	14,377,287	968	0.3%

City of Williamsburg, Virginia **Table 11**

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

Fiscal Year	Total General Obligation Bonds	Percentage of Actual Taxable Value of Property[1]	Per Capita[2]
2007	$ 13,548,394	0.84%	$ 1,023
2008	11,100,812	0.59%	836
2009	19,930,775	1.01%	1,492
2010	18,241,327	0.96%	1,297
2011	16,538,437	0.87%	1,160
2012	15,440,738	0.85%	1,083
2013	14,049,370	0.82%	969
2014	17,717,679	1.00%	1,190
2015	16,060,983	0.88%	1,066
2016	14,377,287	0.77%	968

[1] See Table 6 for property value data.

[2] Population data can be found in Table 13

City of Williamsburg, Virginia
Legal Debt Margin Information
Last Ten Fiscal Years

	2007	2008	2009	2010
Debt Limit	$154,722,020	$180,323,920	$189,545,600	$189,257,180
Total net debt applicable to limit	13,548,395	11,100,812	19,930,775	18,241,325
Legal debt margin	141,173,625	169,223,108	169,614,825	171,015,855
Total net debt applicable to the limit as a percentage of debt limit	8.76%	6.16%	10.52%	9.64%

Legal Debt Margin Calculation for Fiscal Year 2016:

Assessed Value	$ 1,786,176,800
Debt Limit (10% of assessed value)	178,617,680
Debt applicable to limit:	
General obligation bonds	14,377,287
Legal debt margin	$ 164,240,393

Note: Virginia statute limits bond issuing authority of Virginia cities to 10% of the assessed real estate value. The above calculation includes all debt secured by the full faith and credit of the City.

Table 12

2011	2012	2013	2014	2015	2016
$182,750,920	$173,615,760	$162,790,320	$168,721,200	$173,661,170	$178,617,680
16,538,737	15,440,738	14,049,370	17,717,679	16,060,983	14,377,287
166,212,183	158,175,022	148,740,950	151,003,521	157,600,187	164,240,393
9.05%	8.89%	8.63%	10.50%	9.25%	8.05%

City of Williamsburg, Virginia **Table 13**

Demographic and Economic Statistics

Last Ten Fiscal Years

Fiscal Year	City Population *	Area Population *	Personal Income (thousands of dollars)[2]	Per Capita Personal Income[2]	Public School Enrollment [3]	Unemployment Rate[1]
2007	13,242	76,149	$ 3,748,092	$ 49,221	10,105	5.6%
2008	13,273	77,732	4,037,748	51,944	10,137	8.6%
2009	13,354	79,805	3,993,023	50,035	10,248	14.8%
2010	14,068	81,440	4,136,098	50,787	10,503	10.1%
2011	14,256	82,591	4,449,225	53,871	10,549	9.0%
2012	14,503	84,149	4,681,962	55,639	10,671	8.3%
2013	14,893	85,709	4,817,524	56,208	10,748	7.7%
2014	15,064	87,274	5,015,208	57,465	10,998	7.3%
2015	14,860	88,185	**	**	11,116	6.3%
2016	**	**	**	**	11,303	**

* Population figures supplied by Weldon Cooper Center for Public Service (University of VA) & U.S. Bureau of Census

** not available

[1] Virginia Employment Commission *(calendar year figures)*

[2] Source - U.S. Bureau of Census, Bureau of Economic Analysis (BEA)
Population and per capita personal figures are only available for the City of Williamsburg and neighboring James City County combined

[3] Source - Williamsburg-James City County Public Schools

City of Williamsburg, Virginia **Table 14**
Principal Employers
Current Year and Nine Years Ago

	2007			2016		
Employer	**Employees[1]**	**Rank**	**Percentage of Total City Employment**	**Employees[1]**	**Rank**	**Percentage of Total City Employment**
College of William & Mary	1,000+	1	19.54%	1,000+	1	19.06%
Colonial Williamsburg Foundation	1,000+	2	11.20%	1,000+	2	11.38%
Colonial Williamsburg Company	1,000+	3	8.34%	1,000+	3	7.62%
City of Williamsburg	250 to 499	4	1.15%	250 to 499	5	1.84%
Williamsburg Hospitality House	100 to 249	5	0.88%			
Marriott Educational Svcs. Inc.	100 to 249	6	0.88%			
National Center for State Courts	100 to 249	7	0.88%	100 to 249	9	0.71%
Red Lobster & The Olive Garden	100 to 249	8	0.88%	100 to 249	10	0.71%
Yankee Candle	100 to 249	9	0.88%			
Bluegreen	100 to 249	10	0.88%			
W-JCC Schools				250 to 499	4	2.21%
Sodexo				100 to 249	6	1.05%
Riverside Doctors' Hospital				100 to 249	7	0.99%
Walsingham Academy				100 to 249	8	0.71%

[1] includes part-time and seasonal employees
[2] now Sentara Healthcare-relocated to neighboring York County in August 2006

City of Williamsburg, Virginia **Table 15**

Full-time-Equivalent City Employees by Function/Program

Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
City Manager	5.5	5.5	5.5	5.5	5.5	5.5	6.5	6.5	6.5	6.5
Clerk of Council	1.0	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
City Attorney	0.0	1.0	1.0	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Commissioner of Revenue	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Treasurer	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Registrar	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	2.0
Assessor	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Information Technology	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Finance	8.0	9.0	9.0	9.0	9.0	9.0	8.0	8.0	8.0	8.0
Police										
Officers	35.0	36.0	36.0	33.0	34.0	35.0	35.0	35.0	35.0	36.0
Civilians	18.0	18.0	18.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Fire										
Firefighters & officers	35.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0	36.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Public Works										
Engineering	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Streets	10.0	10.0	10.0	10.0	9.0	9.0	9.0	9.0	9.0	9.0
Landscape	8.0	8.0	8.0	8.0	7.0	7.0	7.0	7.0	7.0	7.0
Shop	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Building Maintenance	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Planning	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Code Compliance	7.0	7.0	7.0	5.0	4.0	4.0	4.0	4.0	5.0	5.0
Recreation	9.0	9.0	9.0	9.0	8.0	8.0	8.5	8.5	8.5	8.5
Human Services/Public Housing	13.0	13.0	13.0	13.0	13.0	13.0	17.0	19.0	19.0	19.0
Public Utilities	25.0	25.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Total	197.0	201.0	202.0	185.5	182.5	183.5	188.0	190.0	191.0	192.5

Source: City Finance Department

Note: A full-time employee is scheduled to work 2,080 hours per year (including vacation and sick leave).
Full-time-equivalent employment is calculated by dividing total labor hours by 2,080.

City of Williamsburg, Virginia **Table 16**

Operating Indicators by Function/Program

Last Ten Fiscal Years

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Real estate parcels appraised	4,223	4,139	4,135	4,202	4,220	4,220	4,214	4,216	4,299	4,313
Real estate property transfers	381	342	242	277	330	337	285	302	415	370
Police										
Calls for service	32,532	30,147	31,711	28,758	37,844	37,283	36,956	37,774	36,168	34,837
Moving violations	1,989	2,053	2,118	1,377	1,586	1,800	1,457	1,107	1,147	1,238
Offenses	398	371	340	354	403	389	376	307	314	301
Fire										
Emergency fire responses	693	1,581	1,338	1,778	1,738	1,834	1,884	1,988	2,226	2,792
Emergency EMS responses	1,861	2,151	2,200	2,294	2,164	2,443	2,455	2,435	2,523	2,788
Public Works										
Street miles maintained	54	54	54	65	65	65	65	65	65	65
Work orders issued-streets	227	185	218	274	159	122	135	343	452	382
Tons of res. solid waste collected	3,624	3,607	4,061	2,182	2,108	2,250	2,094	1,966	1,814	2,054
Planning										
Subdivision lots approved	90	0	0	0	4	0	2	0	0	0
Site plans processed	14	7	10	8	9	1	5	1	1	2
Code Compliance										
Total permits issued	1,050	1,845	1,475	1,792	1,725	1,436	1,336	1,555	1,344	1,538
Total inspections performed	6,535	7,228	6,706	7,169	6,824	5,171	5,491	5,178	6,966	7,284
Recreation										
Program participants	27,914	18,899	20,902	21,376	22,010	26,135	25,886	25,487	21,684	23,135
Waller Mill Park attendance*	209,760	199,050	249,226	261,144	86,413	81,254	90,066	109,144	112,854	95,312
Human Services (avg. monthly)										
Total benefit program cases	612	600	693	942	1,125	1,182	1,228	1,248	1,365	1,320
Total service cases	186	179	174	193	236	230	202	224	209	193
Public Utilities										
Water consumed (million gallons)	1,201	1,192	1,172	1,008	1,059	1,015	937	931	997	959
Water leaks repaired	71	48	49	40	32	36	45	31	32	31
Sewer backups	100	94	72	80	65	53	53	31	35	47
Work orders issued	387	412	446	493	550	468	456	450	449	395

Source: City operating departments

City of Williamsburg, Virginia **Table 17**
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
Number of buildings	28	28	28	28	28	28	28	28	28	28
Number of parking structures	2	2	2	2	2	2	2	2	2	2
Total number of active vehicles in vehicle replacement plan	80	81	77	77	80	83	84	82	83	84
Public Safety										
Number of police stations	1	1	1	1	1	1	1	1	1	1
Number of fire stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Lane miles of streets maintained	54	54	54	65	65	65	65	65	65	65
Number of traffic signals	14	14	15	15	15	15	15	15	15	15
Bridges	4	4	4	4	4	4	4	4	4	4
Education-Regional Schools										
Grades: K - 5	7	8	8	9	9	9	9	9	9	9
Grades: 6 - 8	3	3	4	4	3	3	3	3	3	3
Grades: 9 -12	2	3	3	3	3	3	3	3	3	3
Parks & Recreation										
Number of parks	4	4	4	4	4	4	4	4	4	4
Number of ball fields	6	6	6	6	6	6	6	6	6	6
Number of tennis courts	10	10	10	10	10	10	10	10	10	10
Number of total acres	2,036	2,036	2,036	2,036	2,036	2,036	2,036	2,036	2,036	2,036
Culture										
Number of public libraries (regional)	2	2	2	2	2	2	2	2	2	2
Public Utilities										
Miles of water distribution	48	48	48	48	48	48	48	48	48	48
Number of water tanks	5	5	5	5	5	6	6	6	6	6
Number of pump stations	14	14	14	14	14	14	14	15	15	15

Source: City departments.

COMPLIANCE SECTION

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Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To The Honorable Members of the City Council
City of Williamsburg
Williamsburg, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the *Specifications for Audits of Counties, Cities, and Towns,* issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Williamsburg, Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Williamsburg, Virginia's basic financial statements, and have issued our report thereon dated October 28, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Williamsburg, Virginia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Williamsburg, Virginia's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Williamsburg, Virginia's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Williamsburg, Virginia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 28, 2016

Independent Auditors' Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

To The Honorable Members of the City Council
City of Williamsburg
Williamsburg, Virginia

Report on Compliance for Each Major Federal Program

We have audited the City of Williamsburg, Virginia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Williamsburg, Virginia's major federal programs for the year ended June 30, 2016. The City of Williamsburg, Virginia's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and in the terms and conditions of its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Williamsburg, Virginia's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and The Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Williamsburg, Virginia's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Williamsburg, Virginia's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Williamsburg, Virginia complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control over Compliance

Management of City of Williamsburg, Virginia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Williamsburg, Virginia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with The Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Williamsburg, Virginia's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of The Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Robinson, Farmer, Cox Associates

Richmond, Virginia
October 28, 2016

City of Williamsburg, Virginia
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2016

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Health and Human Services:			
Pass Through Payments:			
Department of Social Services:			
Promoting Safe and Stable Families	93.556	0950109/0950110	$ 565
Temporary Assistance for Needy Families (TANF)	93.558	0400111/0400112	148,438
Refugee and Entrant Assistance - State Administered Programs	93.566	0500111/0500112	79
Low-Income Home Energy Assistance	93.568	0600411/0600412	9,399
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	0760111/0760112	11,802
Stephanie Tubbs Jones Child Welfare Services Program	93.645	0900111/0900112	529
Foster Care - Title IV-E	93.658	1100111/1100112	64,723
Adoption Assistance	93.659	1120111/1120112	74,780
Social Services Block Grant	93.667	1000111/1000112	65,735
Chafee Foster Care Independence Program	93.674	9150111/9150112	427
Children's Health Insurance Program	93.767	0540111/0540112	4,988
Medical Assistance Program	93.778	1200111/1200112	174,128
Total Department of Health and Human Services			$ 555,593
Department of Agriculture:			
Pass Through Payments:			
Department of Social Services:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	0010111/0010112 0040111/0040112	$ 153,525
Total Department of Agriculture			$ 153,525
Department of Justice:			
Pass Through Payments:			
Department of Criminal Justice Services:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12-J1208LO11 13-K1208LO12	$ 2,020
Total Department of Justice			$ 2,020
Department of Transportation:			
Pass Through Payments:			
Department of Motor Vehicles			
State and Community Highway Safety	20.600	K81252285	$ 15,560
Total Department of Transportation			$ 15,560

City of Williamsburg, Virginia
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2016 (Continued)

Federal Grantor/State Pass - Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Department of Homeland Security:			
Pass Through Payments:			
Department of Emergency Services:			
Homeland Security Grant Program	97.067	7750100-52703/62704	$ 48,150
Total Department of Homeland Security			$ 48,150
Total Expenditures of Federal Awards			$ 774,848

See accompanying notes to schedule of expenditures of federal awards.

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the City of Williamsburg, Virginia under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance), *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents on a selected portion of the operations of the City of Williamsburg, Virginia, it is not intended to be and does not present the financial position, changes in net position, or cash flows of the City of Williamsburg, Virginia.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

Note 3 - Relationship to Financial Statements

Federal expenditures, revenues, and capital contributions are reported in the City's basic financial statements as follows:

Intergovernmental federal revenues per the basic financial statements:		
Primary government:		
General fund	$	15,560
Virginia public assistance fund		756,968
Law enforcement block grant fund		2,020
Total federal expenditures per the Schedule of Expenditures of Federal Awards	$	774,548

Section I-Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:		*unmodified*		
Internal control over financial reporting:				
Material weakness(es) identified?	_____	yes	✓	no
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	yes	✓	none reported
Noncompliance material to financial statements noted?	_____	yes	✓	no

Federal Awards

Internal control over major programs:				
Material weakness(es) identified?	_____	yes	✓	no
Significant deficiency(ies) identified?	_____	yes	✓	no
Type of auditors' report issued on compliance for major programs:		*unmodified*		
Any findings disclosed that are required to be reported in accordance with 2 CFR section 200.516 (a)?	_____	yes	✓	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.778	Medical Assistance Program

Dollar threshold used to distinguish between type A and type B programs:	$750,000			
Auditee qualified as low-risk auditee?	✓	yes	_____	no

Section II-Financial Statement Findings

None

Section III-Federal Award Findings and Questioned Costs

None

There were no prior year findings.

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